

HEALTH ANNUAL STATEMENT

For the Year Ending December 31, 2001

OF THE CONDITION AND AFFAIRS OF THE

Group Hospitalization and Medical Services, Inc.

NAIC Group Code	0380	0380	NAIC Company Code	53007	Employer's ID Number	53-0078070
	(Current Period)	(Prior Period)				
Organized under the Laws of	Dist. of Columbia		State of Domicile or Port of Entry	District of Columbia		
Country of Domicile	United States of America					
Licensed as business type:	Life, Accident & Health[]		Property/Casualty[]		Health Service Corporation[X]	
	Vision Service Corporation[]		Other[]		Dental Service Corporation[]	
			Health Maintenance Organization[]		Is HMO Federally Qualified? Yes[] No[X]	
Date Incorporated or Organized	08/11/1939			Date Commenced Business	03/15/1934	
Statutory Home Office	550 Twelfth Street, S.W.			Washington, DC 20065		
	(Street and Number)			(City, or Town, State and Zip Code)		
Main Administrative Office	550 Twelfth Street S.W.					
	(Street and Number)					
	Washington, DC 20065			(202)479-8000 x		
	(City or Town, State and Zip Code)			(Area Code) (Telephone Number)		
Mail Address	550 Twelfth Street S.W.			Washington, DC 20065		
	(Street and Number or P.O. Box)			(City, or Town, State and Zip Code)		
Primary Location of Books and Records	550 Twelfth Street S.W.					
	(Street and Number)					
	Washington, DC 20065			(202)479-8000 x		
	(City, or Town, State and Zip Code)			(Area Code) (Telephone Number)		
Internet Website Address	www.carefirst.com					
Statement Contact	William Vincent Stack			(410)998-7011 x		
	(Name)			(Area Code)(Telephone Number)(Extension)		
	bill.stack@carefirst.com			(410)998-6850 x		
	(E-Mail Address)			(Fax Number)		

OFFICERS

President	William Lockwood Jews
Secretary	John Anthony Picciotto
Treasurer	Geoffrey Stewart Clasper

VICE PRESIDENTS

Michael Joseph Arens Booker T. Carter Jr. Linda Ann Dean Michael Bruce Edwards Mary Anne Heckwolf Patricia Ann Malone Gwendolyn Denise Skillern Edward William O'Neil	Eric Randolph Baugh Gregory Mark Chaney Pamela Sue Deuterman Michael John Felber Robert James Huber Michael A. McShane William Vincent Stack Raymond Wayne Blossse'	Livio Renato Broccolino Esq. Geoffrey Stewart Clasper Gregory Allen Devou Andrew James Fitzsimmons Leon Kaplan John Anthony Picciotto Esq. Sharon Jean Vecchioni Judy Stocker #	Janice Elizabeth Carman Rita Ann Costello Frances Price Doherty Ann Teat Gallant Jeanne Ann Kennedy Thomas Charles Rekart David Donald Wolf
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DIRECTORS OR TRUSTEES

Edward John Baran Michel Llewellyn Daley Floretta Dukes McKenzie Ed.D.	Father William James Byron S.J. Sister Carol Keehan R.N., M.S. George Burch Wilkes III
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State of _____
County of _____ ss

The officers of this reporting entity, being duly sworn, each depose and say that they are the described officers of the said reporting entity, and that on the reporting period stated above, all of the herein described assets were the absolute property of the said reporting entity, free and clear from any liens or claims thereon, except as herein stated, and that this statement, together with related exhibits, schedules and explanations therein contained, annexed or referred to, is a full and true statement of all the assets and liabilities and of the condition and affairs of the said reporting entity as of the reporting period stated above, and of its income and deductions therefrom for the period ended, and have been completed in accordance with the NAIC Annual Statement Instructions and Accounting Practices and Procedures manuals except to the extent that: (1) state law may differ; or, (2) that state rules or regulations require differences in reporting not related to accounting practices and procedures, according to the best of their information, knowledge and belief, respectively.

(Signature)	(Signature)	(Signature)
William Lockwood Jews	John Anthony Picciotto	Geoffrey Stewart Clasper
(Printed Name)	(Printed Name)	(Printed Name)
President	Secretary	Treasurer

Subscribed and sworn to before me this _____ day of _____, 2002	a. Is this an original filing?	Yes[X] No[]
	b. If no,	
	1. State the amendment number	_____
	2. Date filed	_____
	3. Number of pages attached	_____

(Notary Public Signature)

ASSETS

		Current Year			Prior Year
		1	2	3	4
		Assets	Nonadmitted Assets	Net Admitted Assets	Net Admitted Assets
1.	Bonds	312,010,792		312,010,792	245,590,957
2.	Stocks:				
2.1	Preferred stocks	2,939,148		2,939,148	3,347,615
2.2	Common stocks	121,066,971	35,644	121,031,327	97,836,141
3.	Mortgage loans on real estate:				
3.1	First liens				
3.2	Other than first liens				
4.	Real estate (Schedule A):				
4.1	Properties occupied by the company (less \$..... encumbrances)			(a).....	
4.2	Properties held for the production of income (less \$..... encumbrances)				
4.3	Properties held for sale (less \$..... encumbrances)				
5.	Cash (\$.....(32,679,262), Schedule E - Part 1) and short-term investments (\$.....35,465,545, Schedule DA - Part 2)	2,786,283		2,786,283	36,422,563
6.	Other long-term invested assets				
7.	Receivable for securities				
8.	Aggregate write-ins for invested assets				
9.	Subtotals, cash and invested assets (Lines 1 to 8)	438,803,194	35,644	438,767,550	383,197,276
10.	Accident and health premiums due and unpaid	397,024,111		397,024,111	341,538,271
11.	Health care receivables	15,077,942		15,077,942	11,518,919
12.	Amounts recoverable from reinsurers				
13.	Net adjustment in assets and liabilities due to foreign exchange rates				
14.	Investment income due and accrued	4,332,151		4,332,151	3,730,054
15.	Amounts due from parent, subsidiaries and affiliates	17,105,688	168,794	16,936,894	9,312,717
16.	Amounts receivable relating to uninsured accident and health plans	37,256,289		37,256,289	17,613,427
17.	Furniture and equipment	4,004,354	4,004,354		
18.	Amounts due from agents				
19.	Federal and foreign income tax recoverable and interest thereon (including \$.....1,968,504 net deferred tax asset)	2,454,468	485,964	1,968,504	
20.	Electronic data processing equipment and software	22,558,831	15,693,996	6,864,835	4,740,290
21.	Other nonadmitted assets				
22.	Aggregate write-ins for other than invested assets	21,694,721	12,543,708	9,151,013	7,503,307
23.	Total assets (Lines 9 plus 10 through 22)	960,311,749	32,932,460	927,379,289	779,154,261
DETAILS OF WRITE-INS					
0801	.....			
0802	.....			
0803	.....			
0898.	Summary of remaining write-ins for Line 8 from overflow page				
0899.	TOTALS (Lines 0801 through 0803 plus 0898) (Line 8 above)				
2201.	Deposits and prepaid expenses	9,935,990	9,935,990		
2202.	Miscellaneous accounts receivable	7,117,303		7,117,303	5,517,002
2203.	Other Assets	2,082,275	48,565	2,033,710	1,986,305
2298.	Summary of remaining write-ins for Line 22 from overflow page	2,559,153	2,559,153		
2299.	TOTALS (Lines 2201 through 2203 plus 2298) (Line 22 above)	21,694,721	12,543,708	9,151,013	7,503,307

(a) \$..... health care delivery assets included in Line 4.1, Column 3.

LIABILITIES, CAPITAL AND SURPLUS

		Current Year			Prior Year
		1 Covered	2 Uncovered	3 Total	4 Total
1.	Claims unpaid (less \$..... reinsurance ceded)	203,495,624	58,770	203,554,394	159,812,944
2.	Accrued medical incentive pool and bonus payments				
3.	Unpaid claims adjustment expenses	6,342,416	1,832	6,344,248	6,847,248
4.	Aggregate policy reserves				
5.	Aggregate claim reserves				
6.	Premiums received in advance	301,466,044		301,466,044	246,603,044
7.	General expenses due or accrued	53,604,074		53,604,074	53,146,790
8.	Federal and foreign income tax payable and interest thereon (including \$.....1,172,659 on realized capital gains (losses)) (including \$..... net deferred tax liability)	(3,327,655)		(3,327,655)	(1,941,427)
9.	Amounts withheld or retained for account of others	7,473,877		7,473,877	6,538,028
10.	Borrowed money (including \$..... current) and interest thereon \$..... (including\$..... current)				
11.	Amounts due to parent, subsidiaries and affiliates	33,081,767		33,081,767	17,583,083
12.	Payable to securities	578,845		578,845	
13.	Funds held under reinsurance treaties with (\$..... authorized reinsurers and \$..... unauthorized reinsurers				
14.	Reinsurance in unauthorized companies				
15.	Net adjustments in assets and liabilities due to foreign exchange rates				
16.	Liability for amounts held under uninsured accident and health plans				
17.	Aggregate write-ins for other liabilities (including \$.....50,619,185 current)	50,619,185		50,619,185	42,562,296
18.	Total liabilities (Lines 1 to 17)	653,334,177	60,602	653,394,779	531,152,006
19.	Common capital stock	X X X	X X X		
20.	Preferred capital stock	X X X	X X X		
21.	Gross paid in and contributed surplus	X X X	X X X		
22.	Surplus notes	X X X	X X X	8,936,600	17,873,200
23.	Aggregate write-ins for other surplus funds	X X X	X X X		
24.	Unassigned funds (surplus)	X X X	X X X	265,047,910	230,129,055
25.	Less treasury stock, at cost:	X X X	X X X		
25.1	..... shares common (value included in Line 19 \$.....)	X X X	X X X		
25.2	..... shares preferred (value included in Line 20 \$.....)	X X X	X X X		
26.	Total capital and surplus (Lines 19 to 24 minus 25)	X X X	X X X	273,984,510	248,002,255
27.	Total liabilities, capital and surplus (Lines 18 and 26)	X X X	X X X	927,379,289	779,154,261
DETAILS OF WRITE-INS					
1701.	Miscellaneous	6,188,216		6,188,216	5,001,547
1702.	Provision for experience rated refunds	13,359,001		13,359,001	7,781,900
1703.	FEP Deposits	8,327,478		8,327,478	6,870,968
1798.	Summary of remaining write-ins for Line 17 from overflow page	22,744,490		22,744,490	22,907,881
1799.	TOTALS (Lines 1701 through 1703 plus 1798) (Line 17 above)	50,619,185		50,619,185	42,562,296
2301	.....	X X X	X X X		
2302	.....	X X X	X X X		
2303	.....	X X X	X X X		
2398.	Summary of remaining write-ins for Line 23 from overflow page	X X X	X X X		
2399.	TOTALS (Lines 2301 through 2303 plus 2398) (Line 23 above)	X X X	X X X		

STATEMENT OF REVENUE AND EXPENSES

		Current Year		Prior Year
		1 Uncovered	2 Total	3 Total
1.	Member Months	X X X	8,472,885	3,552,623
2.	Net premium income	X X X	1,509,283,240	1,243,945,601
3.	Change in unearned premium reserves and reserve for rate credits	X X X		
4.	Fee-for-service (net of \$..... medical expenses)	X X X		
5.	Risk revenue	X X X		
6.	Aggregate Write-Ins for Other health care related revenues	X X X		
7.	TOTAL REVENUES (Lines 2 to 6)	X X X	1,509,283,240	1,243,945,601
Medical and Hospital:				
8.	Hospital/medical benefits	359,309	632,911,004	547,419,141
9.	Other Professional Services	22,660	603,309,069	480,486,669
10.	Outside Referrals			
11.	Emergency Room and Out-of-Area	9,989	121,352,228	88,134,711
12.	Aggregate Write-Ins for Other Medical and Hospital			
13.	Incentive Pool and Withhold Adjustments			
14.	Subtotal (Lines 8 to 13)	391,958	1,357,572,301	1,116,040,521
LESS:				
15.	Net Reinsurance Recoveries			
16.	Total medical and Hospital (Lines 14 minus 15)	391,958	1,357,572,301	1,116,040,521
17.	Claims adjustment expenses		36,606,287	41,705,777
18.	General administrative expenses		87,203,819	53,065,590
19.	Increase in reserves for accident and health contracts			
20.	Total underwriting deductions (Lines 16 through 19)	391,958	1,481,382,407	1,210,811,888
21.	Net underwriting gain or (Loss) (Lines 7 minus 20)	X X X	27,900,833	33,133,713
22.	Net investment income earned		22,998,068	23,575,310
23.	Net realized capital gains or (Losses)		5,863,297	1,294,437
24.	Net investment gains or (Losses) (Lines 22 plus 23)		28,861,365	24,869,747
25.	Net gain or (Loss) from agents' or premium balances charged off [(amount recovered \$.....) (amount charged off \$.....)]			
26.	Aggregate write-ins for other income or expenses		(1,185,574)	1,635,165
27.	Net income or (Loss) before federal income taxes (Lines 21 plus 24 plus 25 plus 26)		55,576,624	59,638,625
28.	Federal and foreign income taxes incurred	X X X	9,360,343	12,640,667
29.	Net income (Loss) (Lines 27 minus 28)	X X X	46,216,281	46,997,958
DETAILS OF WRITE-INS				
0601	.....	X X X		
0602	.....	X X X		
0603	.....	X X X		
0698.	Summary of remaining write-ins for Line 6 from overflow page	X X X		
0699.	TOTALS (Lines 0601 through 0603 plus 0698) (Line 6 above)	X X X		
1201	.....		
1202	.....		
1203	.....		
1298.	Summary of remaining write-ins for Line 12 from overflow page			
1299.	TOTALS (Lines 1201 through 1203 plus 1298) (Line 12 above)			
2601.	Miscellaneous		(1,185,574)	1,635,165
2602	.....		
2603	.....		
2698.	Summary of remaining write-ins for Line 26 from overflow page			
2699.	TOTALS (Lines 2601 through 2603 plus 2698) (Line 26 above)		(1,185,574)	1,635,165

STATEMENT OF REVENUE AND EXPENSES (Continued)

		1	2
		Current Year	Prior Year
CAPITAL & SURPLUS ACCOUNT			
30.	Capital and surplus prior reporting year	248,002,255	186,845,542
GAINS AND LOSSES TO CAPITAL & SURPLUS			
31.	Net income or (Loss) from Line 29	46,216,281	46,997,958
32.	Change in valuation basis of aggregate policy and claim reserves		
33.	Net unrealized capital gains and losses	12,520,184	22,761,184
34.	Change in net unrealized foreign exchange capital gain or (Loss)		
35.	Change in net deferred income tax	502,936	
36.	Change in nonadmitted assets	(13,657,614)	5,921,444
37.	Change in unauthorized reinsurance		
38.	Change in treasury stock		
39.	Change in surplus notes	(8,936,600)	(8,936,600)
40.	Cumulative effect of changes in accounting principles	(10,662,932)	
41.	Capital Changes:		
41.1	Paid in		
41.2	Transferred from surplus (Stock Dividend)		
41.3	Transferred to surplus		
42.	Surplus adjustments:		
42.1	Paid in		
42.2	Transferred to capital (Stock Dividend)		
42.3	Transferred from capital		
43.	Dividends to stockholders		
44.	Aggregate write-ins for gains or (Losses) in surplus		(5,587,273)
45.	Net change in capital and surplus (Lines 31 to 44)	25,982,255	61,156,713
46.	Capital and surplus end of reporting year (Line 30 plus 45)	273,984,510	248,002,255
DETAILS OF WRITE-INS			
4401.	Change in Deferred Gain on Sale of Building		(5,587,273)
4402	.....	
4403	.....	
4498.	Summary of remaining write-ins for Line 44 from overflow page		
4499.	TOTALS (Lines 4401 through 4403 plus 4498) (Line 44 above)		(5,587,273)

CASH FLOW

		1	2
		Current Year	Prior Year
Cash from Operations			
1.	Premiums and revenues collected net of reinsurance	1,508,660,400	1,335,648,534
2.	Claims and claims adjustment expenses	1,350,940,138	1,156,929,749
3.	General administrative expenses paid	86,746,535	50,492,602
4.	Other underwriting income (expenses)		
5.	Cash from underwriting (Line 1 minus Line 2 minus Line 3 plus Line 4)	70,973,726	128,226,183
6.	Net investment income	22,998,068	22,128,446
7.	Other income (expenses)	(1,185,574)	1,635,165
8.	Federal and foreign income taxes (paid) recovered	(12,715,075)	13,464,461
9.	Net cash from operations (Line 5 to 8)	80,071,145	165,454,255
Cash from Investments			
10.	Proceeds from investments sold, matured or repaid:		
10.1 ...	Bonds	170,961,375	69,718,725
10.2 ...	Stocks	20,136,866	23,335,896
10.3 ...	Mortgage loans		
10.4 ...	Real estate		
10.5 ...	Other invested assets		
10.6 ...	Net gains or (losses) on cash and short-term investments	(231)	33,491
10.7 ...	Miscellaneous proceeds	724,308	
10.8 ...	TOTAL investment proceeds (Lines 10.1 to 10.7)	191,822,318	93,088,112
11.	Cost of investments acquired (long-term only):		
11.1 ...	Bonds	235,961,356	92,842,624
11.2 ...	Stocks	26,076,062	26,929,572
11.3 ...	Mortgage loans		
11.4 ...	Real estate		
11.5 ...	Other invested assets		
11.6 ...	Miscellaneous applications	(578,845)	
11.7 ...	TOTAL investments acquired (Lines 11.1 to 11.6)	261,458,573	119,772,196
12.	Net cash from investments (Line 10.8 minus Line 11.7)	(69,636,255)	(26,684,084)
Cash from Financing and Miscellaneous Sources			
13.	Cash provided:		
13.1 ...	Surplus notes, capital and surplus paid in	(8,936,600)	(8,936,600)
13.2 ...	Net transfers from affiliates	7,874,507	
13.3 ...	Borrowed funds received		
13.4 ...	Other cash provided	8,992,738	4,294,550
13.5 ...	TOTAL (Lines 13.1 to 13.4)	7,930,645	(4,642,050)
14.	Cash applied:		
14.1 ...	Dividends to stockholder paid		
14.2 ...	Net transfers to affiliates		12,987,979
14.3 ...	Borrowed funds repaid		
14.4 ...	Other applications	52,001,814	109,077,043
14.5 ...	TOTAL (Lines 14.1 to 14.4)	52,001,814	122,065,022
15.	Net cash from financing and miscellaneous sources (Line 13.5 minus Line 14.5)	(44,071,169)	(126,707,072)
RECONCILIATION OF CASH AND SHORT-TERM INVESTMENTS			
16.	Net change in cash and short-term investments (Line 9 plus Line 12 plus Line 15)	(33,636,280)	12,063,099
17.	Cash and short-term investments:		
17.1 ...	Beginning of year	36,422,563	24,359,464
17.2 ...	End of year (Line 16 plus Line 17.1)	2,786,283	36,422,563

ANALYSIS OF OPERATIONS BY LINES OF BUSINESS
(Gain and Loss Exhibit)

		1	2	3	4	5	6	7	8	9	10	11	12	13
		Total	Comprehensive (Hospital & Medical)	Medical Only	Medicare Supplemental	Dental Only	Vision Only	Federal Employee Health Benefit Plan	Title XVIII- Medicare	Title XIX- Medicaid	Stop Loss	Disability Income	Long- term Care	Other
1.	Net premium income	1,509,283,239	539,740,458	.....	19,033,000	23,514,377	.....	919,871,579	.....	.....	6,667,519	.....	21,272	435,034
2.	Change in unearned premium reserves and reserve for rate credit .....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....
3.	Fee-for-service (net of \$..... medical expenses) .....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....
4.	Risk revenue .....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....
5.	Aggregate write-ins for other health care related revenues .....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....
6.	Total revenues (Lines 1 to 5)	1,509,283,239	539,740,458	.....	19,033,000	23,514,377	.....	919,871,579	.....	.....	6,667,519	.....	21,272	435,034
7.	Medical/hospital benefits	632,911,004	206,779,464	.....	7,785,258	7,624,689	.....	408,504,202	.....	.....	2,051,349	.....	.....	166,042
8.	Other professional services	603,309,068	197,545,015	.....	7,437,581	7,284,182	.....	390,261,041	.....	.....	622,622	.....	.....	158,627
9.	Outside referrals .....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....
10.	Emergency Room and Out-of-Area	121,352,228	39,738,621	.....	1,496,161	1,465,303	.....	78,505,832	.....	.....	114,401	.....	.....	31,910
11.	Aggregate write-ins for other medical and hospital .....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....
12.	Incentive pool and withhold adjustments .....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....
13.	Subtotal (Lines 7 to 12)	1,357,572,300	444,063,100	.....	16,719,000	16,374,174	.....	877,271,075	.....	.....	2,788,372	.....	.....	356,579
14.	Net Reinsurance Recoveries .....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....
15.	Total medical and hospital (Lines 13 minus 14)	1,357,572,300	444,063,100	.....	16,719,000	16,374,174	.....	877,271,075	.....	.....	2,788,372	.....	.....	356,579
16.	Claims adjustment expenses	36,606,287	21,180,829	.....	1,207,700	1,390,474	.....	11,853,917	.....	.....	973,366	.....	.....	.....
17.	General administrative expenses	87,203,819	50,457,157	.....	2,876,995	3,312,401	.....	28,238,505	.....	.....	2,318,762	.....	.....	.....
18.	Increase in reserves for accident and health contracts .....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....
19.	Total underwriting deductions (Lines 15 to 18)	1,481,382,406	515,701,086	.....	20,803,695	21,077,049	.....	917,363,497	.....	.....	6,080,500	.....	.....	356,579
20.	Net underwriting gain or (Loss) (Line 6 minus Line 19)	27,900,833	24,039,372	.....	(1,770,695)	2,437,328	.....	2,508,082	.....	.....	587,019	.....	21,272	78,455
DETAILS OF WRITE-INS														
0501	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....
0502	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....
0503	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....
0598.	Summary of remaining write-ins for Line 5 from overflow page .....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....
0599.	TOTAL (Lines 0501 through 0503 plus 0598) (Line 5 above) .....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....
1101	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....
1102	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....
1103	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....
1198.	Summary of remaining write-ins for Line 11 from overflow page .....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....
1199.	TOTAL (Lines 1101 through 1103 plus 1198) (Line 11 above) .....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....

UNDERWRITING AND INVESTMENT EXHIBIT
PART 1 - PREMIUMS

		1	2	3	4
Line of Business		Direct Business	Reinsurance Assumed	Reinsurance Ceded	Net Premium Income (Columns 1 + 2 - 3)
1.	Comprehensive (medical and hospital)	539,740,458	.....	.....	539,740,458
2.	Medicare Supplemental	19,033,000	.....	.....	19,033,000
3.	Dental only	23,514,377	.....	.....	23,514,377
4.	Vision only .....	.....	.....	.....	.....
5.	Federal Employees Health Benefits Plan Premiums	919,871,579	.....	.....	919,871,579
6.	Title XVIII - Medicare .....	.....	.....	.....	.....
7.	Title XIX - Medicaid .....	.....	.....	.....	.....
8.	Other	7,146,208	384,989	407,371	7,123,826
9.	TOTALS	1,509,305,622	384,989	407,371	1,509,283,240

UNDERWRITING AND INVESTMENT EXHIBIT
PART 2 - Claims Incurred During the Year

		1	2	3	4	5	6	7	8	9
		Total	Compre- hensive (Medical & Hospital)	Medicare Supplement	Dental Only	Vision Only	Federal Employees Health Benefits Plan Premium	Title XVIII Medicare	Title XIX Medicaid	Other
1.	Payments during the year:									
1.1	Direct	1,313,830,851	424,764,028	16,470,094	15,727,193		854,155,581			2,713,955
1.2	Reinsurance assumed									
1.3	Reinsurance ceded									
1.4	Net	1,313,830,851	424,764,028	16,470,094	15,727,193		854,155,581			2,713,955
2.	Paid medical incentive pools and bonuses									
3.	Claim liability December 31, current year from Part 2A:									
3.1	Direct	203,554,394	72,382,117	3,765,970	1,821,110		124,264,545			1,320,652
3.2	Reinsurance assumed									
3.3	Reinsurance ceded									
3.4	Net	203,554,394	72,382,117	3,765,970	1,821,110		124,264,545			1,320,652
4.	Claim reserve December 31, current year from Part 2D:									
4.1	Direct									
4.2	Reinsurance assumed									
4.3	Reinsurance ceded									
4.4	Net									
5.	Accrued medical incentive pools and bonuses, current year									
6.	Amounts recoverable from reinsurers December 31, current year									
7.	Claim liability December 31, prior year from Part 2A:									
7.1	Direct	159,812,944	53,083,044	3,517,064	1,174,128		101,149,051			889,657
7.2	Reinsurance assumed									
7.3	Reinsurance ceded									
7.4	Net	159,812,944	53,083,044	3,517,064	1,174,128		101,149,051			889,657
8.	Claim reserve December 31, prior year from Part 2D:									
8.1	Direct									
8.2	Reinsurance assumed									
8.3	Reinsurance ceded									
8.4	Net									
9.	Accrued medical incentive pools and bonuses, prior year									
10.	Amounts recoverable from reinsurers December 31, prior year									
11.	Incurred benefits:									
11.1	Direct	1,357,572,301	444,063,101	16,719,000	16,374,175		877,271,075			3,144,950
11.2	Reinsurance assumed									
11.3	Reinsurance ceded									
11.4	Net	1,357,572,301	444,063,101	16,719,000	16,374,175		877,271,075			3,144,950
12.	Incurred medical incentive pools and bonuses									

UNDERWRITING AND INVESTMENT EXHIBIT
PART 2A - Claims Liability End of Current Year

		1	2	3	4	5	6	7	8	9
		Total	Compre- hensive (Medical & Hospital)	Medicare Supplement	Dental Only	Vision Only	Federal Employees Health Benefits Plan Premium	Title XVIII Medicare	Title XIX Medicaid	Other
1.	Reported in Process of Adjustment:									
	1.1 Direct	12,193,956	4,336,061	225,601	109,094		7,444,086			79,114
	1.2 Reinsurance assumed									
	1.3 Reinsurance ceded									
	1.4 Net	12,193,956	4,336,061	225,601	109,094		7,444,086			79,114
2.	Incurred but Unreported:									
	2.1 Direct	191,360,438	68,046,056	3,540,369	1,712,016		116,820,459			1,241,538
	2.2 Reinsurance assumed									
	2.3 Reinsurance ceded									
	2.4 Net	191,360,438	68,046,056	3,540,369	1,712,016		116,820,459			1,241,538
3.	Amounts Withheld from Paid Claims and Capitations:									
	3.1 Direct									
	3.2 Reinsurance assumed									
	3.3 Reinsurance ceded									
	3.4 Net									
4.	TOTALS									
	4.1 Direct	203,554,394	72,382,117	3,765,970	1,821,110		124,264,545			1,320,652
	4.2 Reinsurance assumed									
	4.3 Reinsurance ceded									
	4.4 Net	203,554,394	72,382,117	3,765,970	1,821,110		124,264,545			1,320,652

UNDERWRITING AND INVESTMENT EXHIBIT
PART 2B - ANALYSIS OF CLAIMS UNPAID-PRIOR YEAR-NET OF REINSURANCE

Line of Business		Claims Paid During the Year		Claim Reserve and Claim Liability December 31 of Current Year		5 Claims Incurred in Prior Years (Columns 1 + 3)	6 Estimated Claim Reserve and Claim Liability December 31 of Prior Year
		1 On Claims Incurred Prior to January 1 of Current Year	2 On Claims Incurred Durring the Year	3 On Claims Unpaid December 31 of Prior Year	4 On Claims Incurred During the Year		
1.	Comprehensive (medical and hospital)	50,198,910	374,565,118	1,008,158	71,373,959	51,207,068	53,083,044
2.	Medicare Supplement	2,575,945	13,894,149	120,139	3,645,831	2,696,084	3,517,064
3.	Dental only	1,317,534	14,409,659		1,821,110	1,317,534	1,174,128
4.	Vision only						
5.	Federal Employees Health Benefits Plan Premiums	109,644,074	744,511,507	1,430,043	122,834,502	111,074,117	101,149,051
6.	Title XVIII - Medicare						
7.	Title XIX - Medicaid						
8.	Other	292,321	2,421,634	94,013	1,226,639	386,334	889,657
9.	Subtotals	164,028,784	1,149,802,067	2,652,353	200,902,041	166,681,137	159,812,944
10.	Medical incentive pools, accrual and disbursements						
11.	TOTALS	164,028,784	1,149,802,067	2,652,353	200,902,041	166,681,137	159,812,944

UNDERWRITING AND INVESTMENT EXHIBIT
PART 2C - DEVELOPMENT OF INCURRED CLAIMS
(000 Omitted)

Hospital and Medical

Section A

Year in Which Losses Were Incurred		Net Amounts Paid				
		1 1997	2 1998	3 1999	4 2000	5 2001
1.	Prior .....	.....	.....	.....	.....	.....
2.	1997 .....	.....	.....	.....	.....	(4)
3.	1998	X X X .....	.....	.....	.....	72
4.	1999	X X X	X X X .....	.....	.....	714
5.	2000	X X X	X X X	X X X .....	.....	49,417
6.	2001	X X X	X X X	X X X	X X X	374,565

Section B

Year in Which Losses Were Incurred		Sum of Net Amount Paid and Claim Liability and Reserve Outstanding at End of Year				
		1 1997	2 1998	3 1999	4 2000	5 2001
1.	Prior .....	.....	.....	.....	.....	.....
2.	1997 .....	.....	.....	.....	.....	(4)
3.	1998	X X X .....	.....	.....	.....	72
4.	1999	X X X	X X X .....	.....	.....	714
5.	2000	X X X	X X X	X X X .....	.....	50,425
6.	2001	X X X	X X X	X X X	X X X	445,939

UNDERWRITING AND INVESTMENT EXHIBIT
PART 2C - DEVELOPMENT OF INCURRED CLAIMS
(000 Omitted)

Medicare Supplement

Section A

Year in Which Losses Were Incurred		Net Amounts Paid				
		1 1997	2 1998	3 1999	4 2000	5 2001
1.	Prior .....	.....	.....	.....	.....	..... (1)
2.	1997 .....	.....	.....	.....	.....	..... 11
3.	1998	X X X .....	.....	.....	.....	..... 9
4.	1999	X X X	X X X .....	.....	.....	..... 85
5.	2000	X X X	X X X	X X X .....	.....	..... 2,472
6.	2001	X X X	X X X	X X X	X X X .....	..... 13,894

Section B

Year in Which Losses Were Incurred		Sum of Net Amount Paid and Claim Liability and Reserve Outstanding at End of Year				
		1 1997	2 1998	3 1999	4 2000	5 2001
1.	Prior .....	.....	.....	.....	.....	..... (1)
2.	1997 .....	.....	.....	.....	.....	..... 11
3.	1998	X X X .....	.....	.....	.....	..... 9
4.	1999	X X X	X X X .....	.....	.....	..... 85
5.	2000	X X X	X X X	X X X .....	.....	..... 2,592
6.	2001	X X X	X X X	X X X	X X X .....	..... 17,540

UNDERWRITING AND INVESTMENT EXHIBIT
PART 2C - DEVELOPMENT OF INCURRED CLAIMS
(000 Omitted)

Dental Only

Section A

Year in Which Losses Were Incurred		Net Amounts Paid				
		1 1997	2 1998	3 1999	4 2000	5 2001
1.	Prior .....	.....	.....	.....	.....	.....
2.	1997 .....	.....	.....	.....	.....	.....
3.	1998	X X X .....	.....	.....	.....	..... 2
4.	1999	X X X	X X X .....	.....	.....	..... 18
5.	2000	X X X	X X X	X X X .....	.....	..... 1,297
6.	2001	X X X	X X X	X X X	X X X .....	..... 14,410

Section B

Year in Which Losses Were Incurred		Sum of Net Amount Paid and Claim Liability and Reserve Outstanding at End of Year				
		1 1997	2 1998	3 1999	4 2000	5 2001
1.	Prior .....	.....	.....	.....	.....	.....
2.	1997 .....	.....	.....	.....	.....	.....
3.	1998	X X X .....	.....	.....	.....	..... 2
4.	1999	X X X	X X X .....	.....	.....	..... 18
5.	2000	X X X	X X X	X X X .....	.....	..... 1,297
6.	2001	X X X	X X X	X X X	X X X .....	..... 16,231

UNDERWRITING AND INVESTMENT EXHIBIT
PART 2C - DEVELOPMENT OF INCURRED CLAIMS
(000 Omitted)

Vision Only

Section A

Year in Which Losses Were Incurred		Net Amounts Paid				
		1 1997	2 1998	3 1999	4 2000	5 2001
1.	Prior					
2.	1997					
3.	1998					
4.	1999		X X			
5.	2000		X X	X X X		
6.	2001	X X X	X X X	X X X	X X X	

Section B

Year in Which Losses Were Incurred		Sum of Net Amount Paid and Claim Liability and Reserve Outstanding at End of Year				
		1 1997	2 1998	3 1999	4 2000	5 2001
1.	Prior					
2.	1997					
3.	1998					
4.	1999		X X			
5.	2000		X X	X X X		
6.	2001	X X X	X X X	X X X	X X X	

UNDERWRITING AND INVESTMENT EXHIBIT
PART 2C - DEVELOPMENT OF INCURRED CLAIMS
(000 Omitted)

Federal Employees Health Benefits Plan Premiums

Section A

Year in Which Losses Were Incurred		Net Amounts Paid				
		1 1997	2 1998	3 1999	4 2000	5 2001
1.	Prior .....	.....	.....	.....	.....	(346)
2.	1997 .....	.....	.....	.....	.....	(395)
3.	1998	X X X .....	.....	.....	.....	(556)
4.	1999	X X X	X X X .....	.....	.....	705
5.	2000	X X X	X X X	X X X .....	.....	110,236
6.	2001	X X X	X X X	X X X	X X X	744,512

Section B

Year in Which Losses Were Incurred		Sum of Net Amount Paid and Claim Liability and Reserve Outstanding at End of Year				
		1 1997	2 1998	3 1999	4 2000	5 2001
1.	Prior .....	.....	.....	.....	.....	(346)
2.	1997 .....	.....	.....	.....	.....	(395)
3.	1998	X X X .....	.....	.....	.....	(556)
4.	1999	X X X	X X X .....	.....	.....	705
5.	2000	X X X	X X X	X X X .....	.....	111,666
6.	2001	X X X	X X X	X X X	X X X	867,346

12.5 Underwriting Invest Exh Pt 2C Sn A - Claims Incur. NONE

12.5 Underwriting Invest Exh Pt 2C Sn B - Claims Incur. NONE

12.6 Underwriting Invest Exh Pt 2C Sn A - Claims Incur. NONE

12.6 Underwriting Invest Exh Pt 2C Sn B - Claims Incur. NONE

UNDERWRITING AND INVESTMENT EXHIBIT
PART 2C - DEVELOPMENT OF INCURRED CLAIMS
(000 Omitted)

Other

Section A

Year in Which Losses Were Incurred		Net Amounts Paid				
		1 1997	2 1998	3 1999	4 2000	5 2001
1.	Prior .....	.....	.....	.....	.....	.....
2.	1997 .....	.....	.....	.....	.....	.....
3.	1998	X X X .....	.....	.....	.....	.....
4.	1999	X X X	X X X .....	.....	.....	..... 11
5.	2000	X X X	X X X	X X X .....	.....	..... 281
6.	2001	X X X	X X X	X X X	X X X .....	..... 2,422

Section B

Year in Which Losses Were Incurred		Sum of Net Amount Paid and Claim Liability and Reserve Outstanding at End of Year				
		1 1997	2 1998	3 1999	4 2000	5 2001
1.	Prior .....	.....	.....	.....	.....	.....
2.	1997 .....	.....	.....	.....	.....	.....
3.	1998	X X X .....	.....	.....	.....	.....
4.	1999	X X X	X X X .....	.....	.....	..... 11
5.	2000	X X X	X X X	X X X .....	.....	..... 375
6.	2001	X X X	X X X	X X X	X X X .....	..... 3,648

UNDERWRITING AND INVESTMENT EXHIBIT
PART 2C - DEVELOPMENT OF INCURRED CLAIMS
(000 Omitted)

Grand Total

Section A

Year in Which Losses Were Incurred		Net Amounts Paid				
		1 1997	2 1998	3 1999	4 2000	5 2001
1.	Prior .....	.....	.....	.....	.....	(347)
2.	1997 .....	.....	.....	.....	.....	(388)
3.	1998	X X X .....	.....	.....	.....	(473)
4.	1999	X X X	X X X .....	.....	.....	1,533
5.	2000	X X X	X X X	X X X .....	.....	163,703
6.	2001	X X X	X X X	X X X	X X X	1,149,803

Section B

Year in Which Losses Were Incurred		Sum of Net Amount Paid and Claim Liability and Reserve Outstanding at End of Year				
		1 1997	2 1998	3 1999	4 2000	5 2001
1.	Prior .....	.....	.....	.....	.....	(347)
2.	1997 .....	.....	.....	.....	.....	(388)
3.	1998	X X X .....	.....	.....	.....	(473)
4.	1999	X X X	X X X .....	.....	.....	1,533
5.	2000	X X X	X X X	X X X .....	.....	166,355
6.	2001	X X X	X X X	X X X	X X X	1,350,704

UNDERWRITING AND INVESTMENT EXHIBIT
PART 2D - AGGREGATE RESERVE FOR ACCIDENT AND HEALTH CONTRACTS

	1	2	3	4	5	6	7	8	9
	Total	Compre- hensive (Hospital & Medical)	Medicare Supplement	Dental Only	Vision Only	Federal Employees Health Benefits Plan	Title XVIII Medicare	Title XIX Medicaid	Other
	POLICY RESERVE								
1. Unearned premium reserves
2. Additional policy reserves (a)
3. Reserve for future contingent benefits
4. Reserve for rate credits or experience rating refunds (including \$.....) for investment income
5. Aggregate write-ins for other policy reserves
6. Totals (gross)
7. Reinsurance ceded
8. Totals (Net) (Page 3, Line 4)
	CLAIM RESERVE								
9. Present value of amounts not yet due on claims
10. Reserve for future contingent benefits
11. Aggregate write-ins for other claim reserves
12. Totals (gross)
13. Reinsurance ceded
14. Totals (Net) (Page 3, Line 5)
DETAILS OF WRITE-INS									
0501
0502
0503
0598. Summary of remaining write-ins for Line 5 from overflow page
0599. Totals (Lines 0501 through 0503 plus 0598)(Line 5 above)
1101
1102
1103
1198. Summary of remaining write-ins for Line 11 from overflow page
1199. Totals (Lines 1101 through 1103 plus 1198)(Line 11 above)

(a) Includes \$..... premium deficiency reserve.

UNDERWRITING AND INVESTMENT EXHIBIT
PART 3 - ANALYSIS OF EXPENSES

	1 Claim Adjustment Expenses	2 General Administrative Expenses	3 Investment Expenses	4 Total
1. Rent (\$..... for occupancy of own building)	2,155,455	3,235,689		5,391,144
2. Salaries, wages and other benefits	51,101,867	38,283,258		89,385,125
3. Commissions (less \$..... ceded plus \$..... assumed) ...		28,817,231		28,817,231
4. Legal fees and expenses	46,936	1,254,337		1,301,273
5. Certifications and accreditation fees				
6. Auditing, actuarial and other consulting services	338,105	1,706,425		2,044,530
7. Traveling expenses	448,949	994,222		1,443,171
8. Marketing and advertising	20,857	3,062,702		3,083,559
9. Postage, express and telephone	4,460,068	3,355,157		7,815,225
10. Printing and office supplies	559,135	2,082,052		2,641,187
11. Occupancy, depreciation and amortization				
12. Equipment	369,108	440,295		809,403
13. Cost or depreciation of EDP equipment and software	3,873,986	8,242,576		12,116,562
14. Outsourced services including EDP, claims, and other services	9,413,898	4,509,297		13,923,195
15. Boards, bureaus and association fees	146	1,124,537		1,124,683
16. Insurance, except on real estate	254,900	305,991		560,891
17. Collection and bank service charges	5,151	181,204		186,354
18. Group service and administration fees				
19. Reimbursements by uninsured accident and health plans	(20,752,287)	(34,511,546)		(55,263,834)
20. Reimbursements from fiscal intermediaries				
21. Real estate expenses				
22. Real estate taxes				
23. Taxes, licenses and fees:				
23.1 State and local insurance taxes				
23.2 State premium taxes		4,023,234		4,023,234
23.3 Regulator authority licenses and fees	(10)	753,813		753,803
23.4 Payroll taxes	3,313,753	2,259,816		5,573,568
23.5 Other (excluding federal income and real estate taxes)	40,099	53,633		93,732
24. Investment expenses not included elsewhere		492,256	759,543	1,251,799
25. Aggregate write-ins for expenses	(19,043,829)	16,537,641		(2,506,188)
26. Total expenses incurred (Lines 1 to 25)	36,606,287	87,203,819	759,543	(a) 124,569,650
27. Add expenses unpaid December 31, prior year	6,847,248	53,146,790		59,994,038
28. Less expenses unpaid December 31, current year	6,344,248	53,604,074		59,948,322
29. Amounts receivable relating to uninsured accident and health plans, prior year				
30. Amounts receivable relating to uninsured accident and health plans, current year				
31. Total expenses paid (Lines 26 plus 27 minus 28 plus 29 minus 30) .	37,109,287	86,746,535	759,543	124,615,366
DETAILS OF WRITE-INS				
2501. Charitable Contributions	1,111	328,957		330,068
2502. Service Charges Inter-Plan Bank	3,032,923	608,484		3,641,407
2503. IPSBB-Inter-Plan ITS	4,940,999	3,707,996		8,648,995
2598. Summary of remaining write-ins for Line 25 from overflow page	(27,018,861)	11,892,204		(15,126,658)
2599. Totals (Lines 2501 through 2503 + 2598)(Line 25 above)	(19,043,829)	16,537,641		(2,506,188)

(a) Includes management fees of \$..... to affiliates and \$..... to non-affiliates.

UNDERWRITING AND INVESTMENT EXHIBIT
PART 4 - INTEREST, DIVIDENDS AND REAL ESTATE INCOME

		1	Current Year			5	6
		Collected During Year	2	3	4	Prior Year Due and Accrued and Unearned	Earned During Year (Cols. 1 - 2 + 3 + 4 - 5)
		Schedule	Unearned	Due and Accrued (g)	Foreign Exchange Adjustment		
1.	Government bonds	D(a) ..	1,898,070	331,372		1,176,951	1,052,491
1.1	Other bonds (unaffiliated)	D(a) ..	14,911,893	3,973,467		2,166,354	16,719,006
1.2	Bonds of affiliates	D(a) ..					
2.1	Preferred stocks (unaffiliated)	D(b) ..	165,327				165,327
2.11	Preferred stocks of affiliates	D(b) ..					
2.2	Common stocks (unaffiliated)	D ..	574,201				574,201
2.21	Common stocks of affiliates	D ..					
3.	Mortgage loans	B(c) ..					
4.	Real estate	A(d) ..				386,748	(386,748)
5.1	Cash on hand and on deposit		6,872	1,376			8,248
5.2	Short-term investments	DA(e) ..	2,300,506	25,936			2,326,442
6.	Other invested assets	BA ..					
7.	Derivative instruments	DB(f) ..					
8.	Aggregate write-ins for investment income		3,301,335				3,301,335
9.	TOTALS		23,158,204	4,332,151		3,730,053	23,760,302

DEDUCTIONS						
10.	Total investment expenses incurred (Part 3, Line 26, Col. 3)	759,543				
11.	Interest expense	(h).....				
12.	Depreciation on real estate	2,691				
13.	Aggregate write-ins for other deductions					
14.	Total deductions (Lines 10 to 13)	762,234				
15.	Net investment income earned (Line 9 minus Line 14)(to Page 4, Line 22)	22,998,068				

DETAILS OF WRITE-INS

0801.	BPIC Interest Paid	X X X .	(1,251,124)				(1,251,124)
0802.	Investment Income-FEP	X X X .	4,737,411				4,737,411
0803.	Interest to Retro Groups	X X X .	(128,553)				(128,553)
0898.	Summary of remaining write-ins for Line 8 from overflow page	X X X .	(56,399)				(56,399)
0899.	Totals (Lines 0801 through 0803 plus 0898)(Part 4, Line 8)	X X X .	3,301,335				3,301,335

1301.	0		
1302.	.....	
1303.	.....	
1398.	Summary of remaining write-ins for Line 13 from overflow page		
1399.	Totals (Lines 1301 through 1303 plus 1398)(Part 4, Line 13)		

(a) Includes \$.595,697 accrual of discount less \$.814,037 amortization of premium.

(b) Includes \$. accrual of discount less \$. amortization of premium.

(c) Includes \$. accrual of discount less \$. amortization of premium.

(d) Includes \$. for corporation's occupancy of its own buildings.

(e) Includes \$.427,092 accrual of discount less \$. amortization of premium.

(f) Includes \$. accrual of discount less \$. amortization of premium.

(g) Admitted items only. State basis of exclusions for corporation's occupancy of its own buildings:

(h) Includes \$. interest on surplus notes and \$. interest on capital notes.

PART 4A - CAPITAL GAINS AND (LOSSES) ON INVESTMENTS

		1	2	3	4	5	6	7
		Realized Profit (Loss) on Sale or Maturity	Realized Foreign Exchange Profit (Loss) on Sale or Maturity	Other Realized Adjustment	Increase (Decrease) by Adjustments	Unrealized Foreign Exchange Gain (Loss)	Net Gain (Loss) from Change in Difference Between Book/ Adjusted Carrying and Admitted Values	Total (Sum of Columns 1 to 6)
1.	Government bonds	1,308,569						1,308,569
1.1	Other bonds (unaffiliated)	1,845,028		(791,090)				1,053,938
1.2	Bonds of affiliates							
2.1	Preferred stocks (unaffiliated)	144,246						144,246
2.11	Preferred stocks of affiliates							
2.2	Common stocks (unaffiliated)	3,356,775					(3,381,096)	(24,321)
2.21	Common stocks of affiliates						16,799,815	16,799,815
3.	Mortgage loans							
4.	Real estate				(a).....			
5.1	Cash on hand and on deposit							
5.2	Short-term investments	(231)						(231)
6.	Other invested assets							
7.	Derivative instruments							
8.	Aggregate write-ins for capital gains and (losses)							
9.	TOTALS	6,654,387		(791,090)			13,418,719	19,282,016

(Distribution of Line 9, Col.7)

10.	Net realized capital gains or (losses) (Page 4, Line 23)(Line 9, Col. 1 + 2 + 3)	5,863,297
11.	Net unrealized capital gains or (losses)	13,418,719

DETAILS OF WRITE-INS

0801	.....					
0802	.....					
0803	.....					
0898.	Summary of remaining write-ins for Line 8 from overflow page						
0899.	TOTALS (Lines 0801 through 0803 plus 0898) (Part 4A, Line 8)						

(a) Excluding \$. depreciation on real estate included in Part 4, Line 12.

EXHIBIT 1 - ANALYSIS OF NONADMITTED ASSETS AND RELATED ITEMS

		1	2	3
		End of Current Year	End of Prior Year	Changes for Year (Increase) or Decrease
1.	Summary of items Page 2, Lines 10 to 16 and 19 to 20, Column 2	16,348,754	12,396,097	(3,952,657)
2.	Other Nonadmitted Assets:			
2.1	Furniture and Equipment	4,004,354	1,298,885	(2,705,469)
2.2	Leasehold improvements	2,559,153	16,313	(2,542,840)
2.3	Amounts due from agents			
3.	TOTAL (Lines 2.1 to 2.3)	6,563,507	1,315,198	(5,248,309)
4.	Loans on company stock			
5.	Aggregate write-ins for other than invested assets	9,984,547	5,527,898	(4,456,649)
6.	TOTAL (Line 1 plus 3 through 5)	32,896,808	19,239,193	(13,657,615)
DETAILS OF WRITE-INS				
0501.	Deposits and Prepaid Expenses	9,935,982	3,058,909	(6,877,073)
0502.	Miscellaneous Accounts Recievable		2,464,827	2,464,827
0503.	Other Assets	48,565	4,162	(44,403)
0598.	Summary of remaining write-ins for Line 5 from overflow page			
0599.	TOTALS (Lines 0501 through 0503 plus 0598) (Line 5 above)	9,984,547	5,527,898	(4,456,649)

EXHIBIT 2 - ENROLLMENT BY PRODUCT TYPE

Source of Enrollment		Total Members at End of					6 Current Year Member Months
		1 Prior Year	2 First Quarter	3 Second Quarter	4 Third Quarter	5 Current Year	
1.	Health Maintenance Organizations .....	.....	.....	.....	.....	.....	.....
2.	Provider Service Organizations .....	.....	.....	.....	.....	.....	.....
3.	Preferred Provider Organizations	551,715	580,562	590,147	591,117	589,251	7,036,522
4.	Point of Service	74,349	79,580	80,537	82,999	85,058	980,163
5.	Indemnity Only	38,886	37,750	38,155	38,044	38,232	456,200
6.	Aggregate write-ins for other lines of business .....	.....	.....	.....	.....	.....	.....
7.	Total	664,950	697,892	708,839	712,160	712,541	8,472,885
DETAILS OF WRITE-INS							
0601	.....	.....	.....	.....	.....	.....	.....
0602	.....	.....	.....	.....	.....	.....	.....
0603	.....	.....	.....	.....	.....	.....	.....
0698.	Summary of remaining write-ins for Line 6 from overflow page .....	.....	.....	.....	.....	.....	.....
0699.	Totals (Lines 0601 through 0603 plus 0698)(Line 6 above) .....	.....	.....	.....	.....	.....	.....

Notes to Financial Statement

1. Summary of Significant Accounting Policies

Accounting Practices

The financial statements of Group Hospitalization and Medical Services, Inc. (the Company) are presented on the basis of accounting practices prescribed by the District of Columbia Department of Insurance and Securities Regulation (the Department).

The Department recognizes only statutory accounting practices prescribed or permitted by the District of Columbia for determining and reporting the financial condition and results of operations of an insurance company, for determining its solvency under the District of Columbia Insurance Law. The National Association of Insurance Commissioners’ (NAIC)*Accounting Practices and Procedures* manual, version effective January 1, 2001, (NAIC SAP) has been adopted as a component of prescribed practices by the District of Columbia.

Use of Estimates in the Preparation of the Financial Statements

The preparation of financial statements in conformity with statutory accounting practices requires management to make estimates and assumptions that affect the reported amounts of admitted assets, liabilities, revenues and expenses in the financial statements and in the disclosures of contingent assets and liabilities. While actual results could differ from those estimates, management believes that actual results will not be materially different from those amounts provided in the accompanying statutory basis financial statements

Accounting Policy

Fair Value of Financial Instruments

The carrying amounts of cash and short-term investments, stocks (other than investments in subsidiaries), advances to providers, uncollected premiums, amounts receivable relating to uninsured accident and health plans, miscellaneous accounts receivable, other assets, claims unpaid, accrued expenses, unearned premiums, group experience funds and advances, and other liabilities approximate fair value given the short-term nature of these financial instruments.

Bonds

Bonds are carried at amortized cost. The Company’s policy is to recognize any realized gains or losses on a specific identification basis.

Preferred Stocks

Preferred Stocks are carried at cost. The Company’s policy is to recognize any realized gains or losses on a specific identification basis.

Common Stocks

Common Stocks consist of mutual funds, investments in non-affiliated publicly traded companies and investments in subsidiaries valued in accordance with the *Accounting Practices and Procedures Manual*.

Advances to Providers

The company has advances on deposit with certain hospitals in the state of Maryland. These advances permit the Company to earn differentials of 2.25 and 2.00 percent of amounts billed for inpatient and outpatient charges by these hospitals, respectively.

Unpaid losses and loss adjustment expenses

Unpaid losses and loss adjustment expenses include an amount, based on past experience, for losses incurred but not reported. Such liabilities are necessarily based on assumptions and estimates and while management believes the amount is adequate, the ultimate liability may be in excess of or less than the amount provided. The methods for making such estimates and for establishing the resulting liability are continually reviewed and any adjustments are reflected in current operations.

Revenue recognition

Revenues are recognized and earned on a monthly basis for the period the health care coverage is in effect. Unearned premiums represent prepayments of premiums for future health care coverage and Federal Employee Program unearned premiums.

Uncollected premiums primarily represent unpaid amounts earned from employer groups and individuals for health benefits. Provision is made for potential adjustments which arise as a result of management or third party review.

The Company participates with other Blue Cross and Blue Shield plans in administering the health care benefit plans of various national accounts. Administrative fees are generally recognized and earned on a monthly basis for the period the participating agreement is in effect.

Certain claim payments, premium rates, administrative expense reimbursements and provider discounts are subject to review and potential retroactive adjustment by third parties. Reserves are established for potential obligations arising from such reviews. Management believes that any potential claims will not be materially different from the amounts recorded in the accompanying statutory basis financial statements.

Federal Employee Program

Notes to Financial Statement

The Company participates in the Blue Cross and Blue Shield Federal Employee Program (FEP) through the Office of Personnel Management (OPM). Claims incurred on behalf of FEP are reported as revenues during the period in which the claims are incurred. The related administrative fees are recognized as revenues as they are earned during the contract period. The Blue Cross and Blue Shield Association (BCBSA) acts as an agent for FEP and provides information to the Company for inclusion in the accompanying statutory basis financial statements. The Company records its allocable share of amounts held by the OPM as an asset, with an equivalent amount recorded as a liability. These amounts are \$243,976,000 and \$210,428,000 as of December 31, 2001 and 2000, respectively, and are included in accident and health premiums due and unpaid and premiums received in advance in the accompanying statements of assets, liabilities, capital and surplus. The current contract expires December 31, 2002.

FEP Operations Center

The Company performs certain administrative functions as the national operations center for the FEP under a cost reimbursement contract with BCBSA. The reimbursement of allocable costs under this contract is recorded as a reduction of general and administrative expenses. The FEP reimbursed the Company for operating expenses incurred in connection with this agreement totaling \$48,382,000 and \$45,862,000 for the years ended December 31, 2001 and 2000, respectively

2. Accounting Changes and Corrections of Errors

The Company prepares its statutory financial statements in conformity with accounting practices prescribed by the Department. Effective January 1, 2001, the Department required that insurance companies domiciled in the District of Columbia prepare their statutory basis financial statements in accordance with NAIC *Accounting Practices and Procedures* manual.

Accounting changes adopted to conform to the provisions of the NAIC *Accounting Practices and Procedures* manual are reported as changes in accounting principles. The cumulative effect of changes in accounting principles is reported as an adjustment to unassigned funds (surplus) in the period of the change in accounting principle. The cumulative effect is the difference between the amount of capital and surplus at the beginning of the year and the amount of capital and surplus that would have been reported at that date if the new accounting principles had been applied retroactively for all prior periods. As a result of these changes, the Company reported a change of accounting principle, as an adjustment that increased unassigned funds (surplus), of \$3,912,734 as of January 1, 2001.

The Company had permission to record the deferred gain on the sale of its headquarters office building and land as unassigned reserves (surplus). The department notified the company that it would not receive permission for this practice in 2001. The reduction in unassigned reserves (surplus) due to the loss of this permitted practice as of January 1, 2001 was \$14,575,667 with a corresponding increase in other liabilities.

3. Business Combinations and Goodwill:

Not applicable.

4. Discontinued Operations

Not applicable.

5. Investments

Loan-Backed Securities

The Company has elected to use the book value as of January 1, 1994 as the cost for applying the retrospective adjustment method to securities purchased prior to that date. Prepayment assumptions for single and multi-class mortgage-backed/asset-backed securities were obtained from broker survey values. The Company uses IDC to determine the market value for these securities.

Repurchase Agreements

The Company has certain repurchase agreements which under Company policy require a minimum of 102% of the fair value of securities purchased under repurchase agreements be maintained as collateral.

6. Joint Ventures, Partnerships and Limited Liability Companies

Not applicable.

7. Investment Income

Not applicable.

8. Derivative Instruments

Not applicable.

9. Income Taxes

The components of the net Deferred Tax Assets recognized in Group Hospitalization and Medical Services, Inc.'s (The Company)

Notes to Financial Statement

Assets, Liabilities, Surplus and Other Funds are as follows:

The provisions for incurred taxes on earnings for the years ended December 31 are:

The tax effects of temporary differences that give rise to significant portions of the deferred tax assets and deferred tax liabilities are as follows:

	<u>Dec. 31, 2001</u>	<u>Jan. 1, 2001</u>
Total of gross deferred tax assets	\$3,029,353	\$3,654,926
Total of deferred tax liabilities	<u>(1,008,480)</u>	<u>(148,466)</u>
Net deferred tax asset	2,020,873	3,509,460
Deferred tax asset nonadmitted	<u>(52,369)</u>	<u>(2,040,892)</u>
Net admitted deferred tax asset	<u>\$1,968,504</u>	<u>\$1,465,568</u>
(Increase) decrease in nonadmitted asset	<u>\$1,988,523</u>	<u>0</u>

The provisions for incurred taxes on earnings for the years ended December 31 are:

	<u>2001</u>	<u>2000</u>
Federal provision	\$8,187,684	\$12,381,780
Federal income tax on net capital gains	<u>1,172,659</u>	<u>258,887</u>
Federal income taxes incurred	<u>\$9,360,343</u>	<u>\$12,640,667</u>

The tax effects of temporary differences that give rise to significant portions of the deferred tax assets and deferred tax liabilities are as follows:

	<u>Dec. 31, 2001</u>	<u>Jan. 1, 2001</u>
Deferred tax assets:		
Allowance for Bad Debt	\$554,962	\$686,452
Accrued Vacation	315,896	782,275
Contingent Liability	264,567	352,711
Discounted Unpaid Losses	334,406	322,475
FAS 106	888,520	306,720
FAS 115	150,446	0
Pension Liability	294,519	907,221
Other	<u>226,036</u>	<u>297,072</u>
Total deferred tax assets	3,029,353	3,654,926
Nonadmitted deferred tax assets	<u>(52,369)</u>	<u>(2,040,892)</u>
Admitted deferred tax assets	2,976,984	1,614,034
Deferred tax liabilities:		
FAS 115	0	(148,466)
Other	<u>(1,008,480)</u>	<u>0</u>
Total deferred tax liabilities	<u>(1,008,480)</u>	<u>(148,466)</u>
Net Admitted deferred tax assets	<u>\$1,968,504</u>	<u>\$1,465,568</u>

The change in net deferred income taxes is comprised of the following:

	<u>Dec. 31, 2001</u>	<u>Jan. 1, 2001</u>	<u>Change</u>
Total deferred tax assets	\$2,976,984	\$1,614,034	\$1,362,950
Total deferred tax liabilities	<u>1,008,480</u>	<u>148,466</u>	<u>860,014</u>
Net deferred tax asset(liability)	\$1,968,504	\$1,465,568	502,936
Tax effect of unrealized gains(losses)			<u>(150,446)</u>
Change in net deferred income tax			<u>\$352,490</u>

Notes to Financial Statement

The provision for federal income taxes incurred is different from that which would be obtained by applying the statutory Federal income tax rate to income before income taxes. The significant items causing this difference are as follows:

	Dec. 31, 2001	Effective Tax Rate
Provision computed at statutory rate	\$19,451,818	35.00%
Dividend received deduction	(517,670)	(.93%)
833(b) deduction	(6,392,400)	(11.50%)
Other	(3,533,895)	(6.36%)
Total	<u>\$9,007,853</u>	<u>16.21%</u>
Federal income taxes incurred	\$9,360,343	16.84%
Change in net deferred income taxes	(352,490)	(.63%)
Total statutory income taxes	<u>\$9,007,853</u>	<u>16.21%</u>

The Company has regular tax loss carryforwards of approximately \$62,330,000 at December 31, 2001, which expire between 2002 and 2009, and accumulated Alternative Minimum Tax (AMT) credits of approximately \$32,256,000 at December 31, 2001. Both the carryforward and the credits can be used, in certain circumstances, to offset future regular taxable income and tax, respectively. As a result of the affiliation with CFMI, the usage of the Company’s net operating loss carryforwards are limited under Section 382 of the Internal Revenue Code.

The Company is included in a consolidated federal income tax return of CareFirst, Inc. The Company has a written agreement, which sets forth the manner in which the total combined federal income tax is allocated to each entity, which is a party to the consolidation. The agreement call for an allocation based on the Company’s pre-tax income after affecting for permanent differences at the alternative minimum tax rates. The federal tax allocation for both 2001 and 2000 was 20 percent of pre-tax income after permanent differences. These amounts are included in provision for income taxes in the accompanying statements of operations and changes in reserves and unassigned funds--statutory basis.

Pursuant to this agreement, the Company has the enforceable right to recoup federal income taxes paid in prior years in the event of future net losses, which it may incur, or to recoup its net losses carried forward as an offset to future net income subject to federal income taxes.

The Company’s federal Income Tax return is consolidated with the following entities:
CareFirst, Inc.
CareFirst of Maryland, Inc. (CFMI)
Group Hospitalization and Medical Services, Inc.

The method of allocation between the companies is subject to written agreement, approved by the Board of Directors.

10. Information Concerning Parent, Subsidiaries and Affiliates:

During 2001 and 2000, the Company incurred certain costs on behalf of CFMI, including costs of salaries, claims processing and professional fees. Similarly, certain costs were incurred by CMFI on behalf of the Company. These amounts were allocated between the companies based on relevant statistics or work being performed. Total charges to the Company from CFMI for services performed by CFMI were \$37,601,000 and \$21,405,000 and total charges to CFMI for services performed by the Company were \$19,878,000 and \$8,058,000 during the years ended December 31, 2001 and 2000, respectively.

The Company also has an operating relationship with its HMO subsidiary, CareFirst BlueChoice, whereby the Company provides substantially all non-medical administrative and corporate services under a management agreement. Total charges for all services provided by the Company were \$27,611,000 and \$20,003,000 during the years ended December 31, 2001 and 2000.

At December 31, 2001 the Company reported \$33,081,766 as amounts due to affiliates. These amounts are settled monthly.

11. Debt
Not applicable.

12. Retirement Plans and Other Post-retirement Benefit Plans

Defined Benefit Plan

The Company sponsors non-contributory defined benefit pension plans covering substantially all employees. As of December 31, 2001, the Company accrued in accordance with actuarially determined amounts with an offset to the pension cost accrual for the incremental asset amortization.

A summary of assets, obligations and assumptions of the Pension and Other Post-retirement Benefit Plans are as follows at December

Notes to Financial Statement

31, 2001:

	Pension Benefits	Other Benefits
	2001	2001
(1) Change in benefit obligation		
a. Benefit obligation at beginning of year	\$171,415,731	\$10,877,992
b. Service cost	5,647,142	668,115
c. Interest cost	12,536,399	702,580
d. Contribution by plan participants		
e. Actuarial (gain) loss	3,438,118	(824,045)
f. Foreign currency exchange rate changes		
g. Benefits paid	(6,553,867)	(780,867)
h. Plan amendments		
i. Business combinations, divestitures, curtailments, settlements and special termination benefits		
j. Benefit obligation at end of year	\$186,483,523	\$10,643,775
(2) Change in plan assets		
a. Fair value of plan assets at beginning of year	\$232,340,990	
b. Actual return on plan assets	(2,805,625)	
c. Foreign currency exchange rate changes		
d. Employer contributions		780,867
e. Plan participants' contributions		
f. Benefits paid	(6,553,867)	(780,867)
g. Business combinations, divestitures and settlements		
h. Fair value of plan assets at end of year	\$222,981,498	\$0
(3) Funded status	\$36,497,975	\$(10,643,775)
a. Unamortized prior service cost	0	24,845
b. Unrecognized net (gain) or loss	28,199,312	(4,222,615)
c. Remaining net obligation or (net asset) at initial date of application	(62,250,122)	6,245,233
d. Prepaid assets or (accrued liabilities)	\$2,447,165	\$(8,596,312)
(4) Benefit obligation for non vested employees	\$9,927,432	\$7,831,925
(5) Components of net periodic benefit cost		
a. Service cost	\$5,647,142	\$668,115
b. Interest cost	12,536,339	702,580
c. Expected return on plan assets	(20,630,706)	0
d. Amortization of unrecognized transition obligation or (transition asset)		518,937
e. Amount of recognized (gains) and losses		(187,216)
f. Amount of prior service cost recognized		2,259
g. Amount of gain or loss recognized due to a settlement or curtailment		
h. Total net periodic (benefit) or cost	\$(2,447,165)	\$1,704,675

A minimum pension liability adjustment is required when the actuarial present value of accumulated benefits exceeds plan assets and accrued pension liabilities. The minimum liability adjustment, less allowable intangible assets, net of tax benefit, is reported as income in the Income Statement. At December 31, 2001 the additional minimum liability was increased to \$8,540,914 from \$7,672,504 at December 31, 2000.

Notes to Financial Statement

Weighted-average assumptions as of Dec. 31:	<u>Pension</u>	<u>Other</u>
a. Discount rate	7.25%	7.25%
b. Rate of compensation increase	5.00%	4.00%
c. Expected long-term rate of return on plan assets	9.00%	N/A

For measurement purposes, a 6 percent annual rate of increase in the per capita cost of covered health care benefits was assumed for 2001. The rate was assumed to decrease gradually to 5.5 percent for 2001 and remain at that level thereafter.

The company has multiple non-pension postretirement benefit plans. The health care plans are contributory, with participants’ contributions adjusted annually; the life insurance plans are noncontributory. The accounting for the health care plan anticipates future cost-sharing changes consistent with the company’s intent that the company pay a fixed percentage of health care costs up to a predetermined cap.

Assumed health care cost trend rates have a significant effect on the amounts reported for the health care plans. A one-percentage-point change in assumed health care cost trend rates would have the following effects:

	1 Percentage Point <u>Increase</u>	1 Percentage Point <u>Decrease</u>
a. Effect on total of service and interest cost components	\$31,078	\$(27,087)
b. Effect on postretirement benefit	\$426,329	\$(371,591)

Insurance company employees are covered by a qualified defined contribution pension plan sponsored by the insurance company.

The Company also sponsors 401k plans for the benefit of all eligible employees. The Company’s Contribution for the plans was \$1,880,000 and \$1,580,000 for 2001 and 2000, respectively.

13. Capital and Surplus, Shareholders’ Dividend Restrictions and Quasi-Reorganizations:

The portion of unassigned funds (surplus) represented or reduced by each item below is as follows:

unrealized gains and (losses):	\$ (3,405,930)
nonadmitted asset values:	\$ 32,896,807

The Company’s surplus note payable is included in reserves and assigned funds rather than recorded as a liability. The Company has a surplus note held by BCS Plan Investors Corporation (BPIC), an affiliate of BCBSA. The outstanding balance of the note was \$8,936,000 and \$17,873,000 as of December 31, 2001 and 2000, respectively. The note is unsecured and bears interest at 6% per annum. The note is guaranteed by CFMI and CareFirst, Inc. Interest is payable out of fifty percent (50 percent) of the previous calendar year’s statutory earnings and profits generated by the Company and CFMI (as determined by reference to the Company’s and CFMI’s audited statutory financial statements ended on December 31 of such calendar year) and is due April 30. In addition, the Company agreed to repay the balance in equal annual installments, beginning April 30, 1998 through April 30, 2002. Both interest and principal payments require the prior approval of the Department.

The Company incurred interest expense of \$1,251,124 on the surplus note for 2001. Unapproved interest of \$714,928 for 2001, was not accrued in accordance with the NAIC and the Department prescribed policy.

14. Contingencies

In the jurisdictions in which the Company is licensed to conduct business, Associations have been created for the purpose, among others, of protecting insured parties under health insurance policies. The Company is contingently liable for assessments in any calendar year, in order to provide any required funds to carry out the power and duties of the Associations.

Notes to Financial Statement

The Company operates under a licensing agreement with BCBSA, whereby the Company uses the service marks of BCBSA in the course of its business. The Company files periodic reports with BCBSA and is in compliance with all requirements.

Various lawsuits, including class action lawsuits and other claims, occur in the normal course of business and are pending against the Company. Management, after consultation with legal counsel, is of the opinion that the lawsuits and other claims, when resolved, will not have a material effect on the accompanying statutory basis financial statements.

The Company’s professional liability coverage is on a claims-made basis. Should the claims-made policy not be renewed or replaced with equivalent insurance, claims based on occurrences during its term, but reported subsequently, will be uninsured. The claims-made policy has been renewed through May 1, 2002.

CareFirst, Inc. has a commitment for a credit facility with a commercial bank under which certain of its affiliates, including GHMSI, may borrow up to a maximum amount of \$60,000,000. There have been no draws made on this line of credit during 2001 or 2000.

15. Leases

The Company leases certain administrative facilities and equipment under operating leases. Some of these lease agreements contain escalation clauses for increases in real estate taxes and operating costs over base year amounts. These leases expire on various dates, with renewal options available on many of these leases.

At January 1, 2002, the minimum aggregate rental commitments are as follows:

For the Year Ending December 31,	
2002	\$11,656,000
2003	10,906,000
2004	4,894,000
2005	4,028,000
2006	4,028,000
2007	17,454,000

Sales-leaseback of headquarters building

On December 3, 1998, the Company sold its headquarters building in Washington, D.C. The sale resulted in a gain, based on depreciated cost, of \$41,079,000. In connection with the sale, the Company entered into a five-year leaseback for all of the net rentable space in the building. The purchaser has the right to recapture a portion or all of the space upon notice to the Company at various points in time during the leaseback period. Due to the leaseback arrangement, approximately \$25,019,000 of the realized gain from the sale of the building was recorded as an increase in reserves and unassigned funds and will be amortized over the life of the leaseback period in proportion to the lease payments.

In 2001 and 2000, \$3,624,000 and \$5,032,000 respectively, was amortized against rent expense. The originally recorded deferred gain was equal to the net present value of the future lease payments, using a discount rate of 6.5 percent. The deferred gain is to be adjusted downward through other income in future periods in which the purchaser exercises its recapture rights.

On August 25, 2000, pursuant to lease recapture provision, the purchaser gave notice that certain space in the building would be recaptured. Under the lease recapture provision, the space will be recaptured on May 31, 2001. Resulting from this notice, \$555,000 of the deferred gain was recognized through other income, net in the accompanying statement of operations. On January 3, 2001, pursuant to the lease recapture provision, the purchaser gave notice that additional space would be recaptured on May 31, 2001. Resulting from this notice, \$5,302,000 of the deferred gain was offset against administrative expenses in 2001, reflecting the period in which the lease modification was received. Accordingly, future lease payments related to both recapture events have been excluded from minimum future lease payments listed below.

Minimum future lease payments at December 31, 2001, (reflecting the above recapture of space by the purchaser) are as follows:

Notes to Financial Statement

2002	\$3,088,000
2003	<u>3,134,000</u>
Total minimum payments	<u><u>\$6,222,000</u></u>

16. Information About Financial Instruments With Off-Balance Sheet Risk And Financial Instruments With Concentrations of Credit Risk

Not applicable.

17. Sale, Transfer and Servicing of Financial Assets and Extinguishments of Liabilities

Not applicable.

18. Gain or Loss to the Reporting Entity from Uninsured A&H Plans and the Uninsured Portion of Partially Insured Plans

The results from operations of uninsured ASC plans and the uninsured portion of partially insured plans was as follows during 2001:

Gross reimbursement for medical costs incurred	\$ 574,886,825
Gross administrative fees accrued	55,263,833
Gross expenses incurred	633,442,836
Other income or expenses	-
Net income (loss)	<u>\$ (3,292,228)</u>

19. Direct Premium Written/Produced by Managing General Agents/Third Party Administrators

Not applicable.

20. Other Items

Pharmaceutical Rebates

The Company has a contract which requires its pharmacy vendor to pass back certain pharmacy rebates. These are estimated based on experience and are required to be paid to the Company by certain contractual due dates.

Quarter	Estimated Pharmacy Rebates as Reported on Financial Statements	Pharmacy Rebates as Invoice/ Confirmed	Actual Rebates Collected Within 90 Days of Invoicing/ Contractual Due Date	Actual Rebates Collected within 91-180 Days of Invoicing/ Contractual Due Date	Actual Rebates Collected More Than 180 days After Invoicing/ Contractual Due Date
3/31/2001	\$1,042,384		\$1,042,384		
6/30/2001	1,170,868		1,170,868		
9/30/2001	875,000		406,871		
12/31/2001	875,000				

Integration of Operations

Notes to Financial Statement

The Company continues to integrate operations with CFMI. To enable this integration, certain hardware and software is purchased, developed or enhanced with the cost being funded and capitalized as an asset on either CFMI’s or GHMSI’s balance sheet. The assets are amortized over their useful life and charged to CFMI and GHMSI through the company’s cost allocation system.

21. Events Subsequent
Not applicable.

22. Reinsurance
Not applicable.

23. Retrospectively Rated Contracts
Not applicable.

24. Organization and Operation

Group Hospitalization and Medical Services, Inc. (the Company), is a not-for-profit company that provides a comprehensive array of health insurance and managed care services primarily through indemnity health insurance and health benefits administration, and also has an investment in a health maintenance organization (HMO). These products and services are provided to individuals, businesses and governmental agencies primarily in the Washington, D.C. metropolitan area.

CFMI and Group Hospitalization and Medical Services, Inc. (GHMSI) are both affiliates of a not-for-profit parent company, CareFirst, Inc. These affiliates do business as CareFirst BlueCross BlueShield. On March 22, 2000, CareFirst, Inc., also entered into a business affiliation with BCBSD, Inc.

On November 20, 2001, WellPoint Health Networks Inc, and CareFirst BlueCross BlueShield, signed a definitive agreement to merge. WellPoint will acquire CareFirst for \$1.3 billion following CareFirst’s conversion to for-profit status, pending regulatory approval. The entire purchase price will be provided to benefit residents in CareFirst’s three principal areas -- Maryland, Delaware and the District of Columbia.

25. Salvage and Subrogation

The following discloses the estimated salvage and subrogation used in computing the company’s unpaid claims liability:

<u>Year Incurred</u>	<u>Amount</u>
1996	\$ 3,688
1997	29,965
1998	52,147
1999	134,376
2000	123,896
2001	<u>1,226,162</u>
	<u>\$ 1,570,233</u>

26. Change in Incurred Claims and Claim Adjustment Expenses:

Reserves for incurred claims and claim adjustment expenses attributable to insured events of prior years has increased by \$6,868,193 from \$159,812,944 in 2000 to \$166,681,137 in 2001 as a result of reestimation of unpaid claims and claim adjustment expenses principally on group contracts. This increase is generally the result of ongoing analysis of recent loss development trends and increasing membership. Original estimates are increased or decreased as additional information becomes known regarding individual claims. Included in this increase, the Company experienced \$9,925,066 of unfavorable prior year claim development on FEP policies. However, since the business to which it relates is subject to premium adjustments, there was no impact on surplus.

27. Minimum Net Worth

Minimum Net-Worth Requirements

The Company is licensed to conduct business in the states of Virginia and Maryland and the District of Columbia. The minimum net worth for each of these jurisdictions is as follows:

Notes to Financial Statement

District of Columbia	\$34,298,088, calculated as 8% of prior year risk premium
Maryland	\$34,298,088, calculated as 8% of prior year risk premium
Virginia	\$72,555,712, calculated as 45 days of anticipated operating expenses and incurred claims expenses generated from subscription contracts

SUMMARY INVESTMENT SCHEDULE

Investment Categories		Gross Investment Holdings		Admitted Assets as Reported in the Annual Statement	
		1 Amount	2 Percentage	3 Amount	4 Percentage
1.	Bonds:				
1.1	U.S. treasury securities	20,056,964	4.253	20,056,964	4.569
1.2	U.S. government agency and corporate obligations (excluding mortgage-backed securities):				
1.21	Issued by U.S. government agencies				
1.22	Issued by U.S. government sponsored agencies	4,261,314	0.904	4,261,314	0.971
1.3	Foreign government (including Canada, excluding mortgage-backed securities)				
1.4	Securities issued by states, territories, and possessions and political subdivisions in the U.S.:				
1.41	States, territories and possessions general obligations	1,000,430	0.212	1,000,430	0.228
1.42	Political subdivisions of states, territories and possessions and political subdivisions general obligations	865,242	0.184	865,242	0.197
1.43	Revenue and assessment obligations	19,836,490	4.206	19,836,490	4.519
1.44	Industrial development and similar obligations				
1.5	Mortgage-backed securities (includes residential and commercial MBS):				
1.51	Pass-through securities:				
1.511	Guaranteed by GNMA	5,216,694	1.106	5,216,694	1.189
1.512	Issued by FNMA and FHLMC	60,139,500	12.752	60,139,500	13.701
1.513	Privately issued				
1.52	CMOs and REMICs:				
1.521	Issued by FNMA and FHLMC	24,268,966	5.146	24,268,966	5.529
1.522	Privately issued and collateralized by MBS issued or guaranteed by GNMA, FNMA, or FHLMC				
1.523	All other privately issued				
2.	Other debt and other fixed income securities (excluding short term):				
2.1	Unaffiliated domestic securities (includes credit tenant loans rated by the SVO)	176,326,531	37.388	176,326,631	40.171
2.2	Unaffiliated foreign securities	35,842	0.008	35,842	0.008
2.3	Affiliated securities				
3.	Equity interests:				
3.1	Investments in mutual funds				
3.2	Preferred stocks:				
3.21	Affiliated				
3.22	Unaffiliated	2,939,148	0.623	2,939,148	0.670
3.3	Publicly traded equity securities (excluding preferred stocks):				
3.31	Affiliated				
3.32	Unaffiliated	38,673,728	8.200	38,673,728	8.811
3.4	Other equity securities:				
3.41	Affiliated	81,301,103	17.239	81,301,103	18.522
3.42	Unaffiliated	1,230,723	0.261	1,230,723	0.280
3.5	Other equity interests including tangible personal property under lease:				
3.51	Affiliated				
3.52	Unaffiliated				
4.	Mortgage loans:				
4.1	Construction and land development				
4.2	Agricultural				
4.3	Single family residential properties				
4.4	Multifamily residential properties				
4.5	Commercial loans				
5.	Real estate investments:				
5.1	Property occupied by company				
5.2	Property held for production of income (includes \$..... of property acquired in satisfaction of debt)				
5.3	Property held for sale (\$..... including property acquired in satisfaction of debt)				
6.	Policy loans				
7.	Receivables for securities				
8.	Cash and short-term investments	35,465,545	7.520	2,786,283	0.635
9.	Other invested assets				
10.	Total invested assets	471,618,220	100.000	438,939,058	100.000

GENERAL INTERROGATORIES
PART 1 - COMMON INTERROGATORIES
GENERAL

- 1.1 Is the reporting entity a member of an Insurance Holding Company System consisting of two or more affiliated persons, one or more of which is an insurer?

Yes[X] No[]
- 1.2 If yes, did the reporting entity register and file with its domiciliary State Insurance Commissioner, Director or Superintendent or with such regulatory official of the state of domicile of the principle insurer in the Holding Company System, a registration statement providing disclosure substantially similar to the standards adopted by the National Association of Insurance Commissioners (NAIC) in its Model Insurance Holding Company System Regulatory Act and model regulations pertaining thereto, or is the reporting entity subject to standards and disclosure requirements substantially similar to those required by such Act and regulations?

Yes[X] No[] N/A[]
..... Maryland
- 1.3 State Regulating?
- 2.1 Has any change been made during the year of this statement in the charter, by-laws, articles of incorporation, or deed of settlement of the reporting entity?

Yes[] No[X]
- 2.2 If yes, date of change:
If not previously filed, furnish herewith a certified copy of the instrument as amended.

.....
- 3.1 State as of what date the latest financial examination of the reporting entity was made or is being made.

..... 12/31/1999
- 3.2 State as of what date that the latest financial examination report became available from either the state of domicile or the reporting entity. This date should be the date of the examined balance sheet and not the date the report was completed or released.

..... 12/31/1999
- 3.3 State as of what date the latest financial examination report became available to other states or the public from either the state of domicile or the reporting entity. This is the release date or completion date of the examination report and not the date of the examination (balance sheet date).

..... 12/18/2001
- 3.4 By what department or departments?
District of Columbia Department of Insurance and Securities Regulation
- 4.1 During the period covered by this statement, did any agent, broker, sales representative, non-affiliated sales/service organization or any combination thereof under common control (other than salaried employees of the reporting entity) receive credit or commissions for or control a substantial part (more than 20 percent of any major line of business measured on direct premiums) of:
- 4.11 sales of new business?

Yes[] No[X]
- 4.12 renewals?

Yes[] No[X]
- 4.2 During the period covered by this statement, did any sales/service organization owned in whole or in part by the reporting entity or an affiliate, receive credit or commissions for or control a substantial part (more than 20 percent of any major line of business measured on direct premiums) of:
- 4.21 sales of new business?

Yes[] No[X]
- 4.22 renewals?

Yes[] No[X]
- 5.1 Has the reporting entity been a party to a merger or consolidation during the period covered by this statement?

Yes[] No[X]
- 5.2 If yes, provide the name of the entity, NAIC company code, and state of domicile (use two letter state abbreviation) for any entity that has ceased to exist as a result of the merger or consolidation.

1	2	3
Name of Entity	NAIC Company Code	State of Domicile
.....

- 6.1 Has the reporting entity had any Certificates of Authority, licenses or registrations (including corporate registration, if applicable) suspended or revoked by any governmental entity during the reporting period? (You need not report an action either formal or informal, if a confidentiality clause is part of the agreement)

Yes[] No[X]
- 6.2 If yes, give full information:
- 7.1 Does any foreign (non-United States) person or entity directly or indirectly control 10% or more of the reporting entity?

Yes[] No[X]
- 7.2 If yes,
- 7.21 State the percentage of foreign control

..... %
- 7.22 State the nationality(s) of the foreign person(s); or if the entity is a mutual or reciprocal, the nationality of its manager or attorney-in-fact and identify the type of entity(s) (e.g., individual, corporation, government, manager or attorney-in-fact)

1	2
Nationality	Type of Entity
.....

GENERAL INTERROGATORIES (continued)

8. What interest, direct or indirect, has this reporting entity in the capital stock of any other insurance company?
GHMSI owns 100% of CareFirst BlueChoice, Inc.
9. What is the name and address of the independent certified public accountant or accounting firm retained to conduct the annual audit?
Arthur Andersen LLP, Baltimore, MD
10. What is the name, address and affiliation (officer/employee of the reporting entity or actuary/consultant associated with a(n) actuarial consulting firm) of the individual providing the statement of actuarial opinion/certification?
Michael J. Cellini, ASA, Consulting, Actuary and Senior Manager of Arthur Andersen LLP, NewYork
11. Except for retirement plans generally applicable to its staff employees, has the reporting entity any agreement with any person, other than contracts with its agents for the payment of commissions whereby it agrees that for any service rendered or to be rendered, that he/she shall receive directly or indirectly, any salary, compensation or emolument that will extend beyond a period of 12 months from the date of the agreement?

Yes[X] No[]
12. FOR UNITED STATES BRANCHES OF ALIEN REPORTING ENTITES ONLY:
12.1 What changes have been made during the year in the United States manager or the United States trustees of the reporting entity?
12.2 Does this statement contain all business transacted for the reporting entity through its United States Branch on risks wherever located?
12.3 Have there been any changes made to any of the trust indentures during the year?
12.4 If answer to (12.3) is yes, has the domiciliary or entry state approved the changes?

Yes[] No[X]
Yes[] No[X]
Yes[] No[X] N/A[]
13. Have the instructions for completing the blank required by this department been followed in every detail?

Yes[X] No[]

BOARD OF DIRECTORS

14. Is the purchase or sale of all investments of the reporting entity passed upon either by the Board of Directors or a subordinate committees thereof?

Yes[X] No[]
15. Does the reporting entity keep a complete permanent record of the proceedings of its Board of Directors and all subordinate committees thereof?

Yes[X] No[]
16. Did any person while an officer, director, or trustee of the reporting entity receive directly or indirectly, during the period covered by this statement any commission on the business transactions of the reporting entity?

Yes[] No[X]
17. Has the reporting entity an established procedure for disclosure to its board of directors or trustees of any material interest or affiliation on the part of any of its officers, directors, trustees or responsible employees which is in or is likely to conflict with the official duties of such person?

Yes[X] No[]

FINANCIAL

- 18.1 Total amount loaned during the year (inclusive of Separate Accounts, exclusive of policy loans):
18.11 To directors or other officers
18.12 To stockholders not officers
18.13 Trustees, supreme or grand (Fraternal only)

\$
\$
\$
- 18.2 Total amount of loans outstanding at end of year (inclusive of Separate Accounts, exclusive of policy loans):
18.21 To directors or other officers
18.22 To stockholders not officers
18.23 Trustees, supreme or grand (Fraternal only)

\$
\$
\$
- 19.1 Were any assets reported in this statement subject to a contractual obligation to transfer to another party without the liability for such obligation being reported in the statement?

Yes[] No[X]
- 19.2 If yes, state the amount thereof at December 31 of the current year:
19.21 Rented from others
19.22 Borrowed from others
19.23 Leased from others
19.24 Other

\$
\$
\$
\$
- Disclose in Notes to Financial the nature of each obligation.
- 20.1 Does this statement include payments for assessments as described in the Annual Statement Instructions other than guaranty fund or guaranty association assessments?

Yes[] No[X]
- 20.2 If answer is yes:
20.21 Amount paid as losses or risk adjustment
20.22 Amount paid as expenses
20.23 Other amounts paid

\$
\$
\$

GENERAL INTERROGATORIES (continued)
INVESTMENT

21.1 List the following capital stock information for the reporting entity:

	1	2	3	4	5	6
Class	Number of Shares Authorized	Number of Shares Outstanding	Par Value Per Share	Redemption Price If Callable	Is Dividend Rate Limited?	Are Dividends Cumulative?
1. Preferred Yes[] No[X] ....	.... Yes[] No[X]
2. Common X X X .....	..... X X X .....	..... X X X

22.1 Were all the stocks, bonds and other securities owned December 31 current year, over which the reporting entity has exclusive control, in the actual possession of the reporting entity on said date, except as shown by Schedule E - Part 2 - Special Deposits? Yes[] No[X]

22.2 If no, give full and complete information, relating thereto:
SunTrust Bank; BankOne, WVa

23.1 Were any of the stocks, bonds or other assets of the reporting entity owned at December 31 of the current year not exclusively under the control of the reporting entity, except as shown on Schedule E - Part 2 - Special Deposits, or has the reporting entity sold or transferred any assets subject to a put option contract that is currently in force? (Exclude securities subject to Interrogatory 23.2) Yes[X] No[]

23.2 If yes, state the amount thereof at December 31 of the current year:

23.21	Loaned to others	\$
23.22	Subject to repurchase agreements	\$
23.23	Subject to reverse repurchase agreements	\$
23.24	Subject to dollar repurchase agreements	\$
23.25	Subject to reverse dollar repurchase agreements	\$
23.26	Pledged as collateral	\$
23.27	Placed under option agreements	\$ 3,141,146
23.28	Letter stock or securities restricted as to sale	\$ 240,956
23.29	Other	\$

23.3 For each category above, if any of these assets are held by other, identify by whom held:

23.31
23.32
23.33
23.34
23.35
23.36
SunTrust Bank; BankOne, WVa
23.37
23.38
23.39

For categories (23.21) and (23.23) above, and for any securities that were made available for use by another person during the period covered by this statement, attach a schedule as shown in the instructions to the annual statement.

23.4 For category (23.28) provide the following:

1	2	3
Nature of Restriction	Description	Amount
n/a	n/a .....	.....

24.1 Does the reporting entity have any hedging transactions reported on Schedule DB? Yes[] No[X]

24.2 If yes, has a comprehensive description of the hedging program been made available to the domiciliary state? Yes[] No[] N/A[X]
If no, attach a description with this statement.

25.1 Were any preferred stocks or bonds owned as of December 31 of the current year mandatorily convertible into equity, or, at the option of the issuer, convertible into equity? Yes[X] No[]

25.2 If yes, state the amount thereof at December 31 of the current year \$ 605,087

GENERAL INTERROGATORIES (continued)
OTHER

26.1 Amount of payments to Trade Associations, Service Organizations and Statistical or Rating Bureaus, if any? \$ 273,835
26.2 List the name of the organization and the amount paid if any such payment represented 25% or more of the total payments to Trade Associations, Service Organizations and Statistical or Rating Bureaus during the period covered by this statement.

1 Name	2 Amount Paid
none

27.1 Amount of payments for legal expenses, if any? \$ 1,438,889
27.2 List the name of the firm and the amount paid if any such payment represented 25% or more of the total payments for legal expenses during the period covered by this statement.

1 Name	2 Amount Paid
Foley & Lardner .....	..... 509,619

28.1 Amount of payment for expenditures in connection with matters before legislative bodies, officers or department of government, if any? \$
28.2 List the name of the firm and the amount paid if any such payment represented 25% or more of the total payment expenditures in connection with matters before legislative bodies, officers or department of government during the period covered by this statement.

1 Name	2 Amount Paid
none

29. What officials or heads of departments of the reporting entity supervised the making of this report?
Bruce Shogren, Director of Financial Reporting and Systems

30.1 Has any direct new business been solicited or written in any state where the reporting entity was not licensed? Yes[] No[X]
30.2 If yes, explain:

GENERAL INTERROGATORIES (continued)
PART 2 - HEALTH INTERROGATORIES

1.1 Does the reporting entity have any direct Medicare Supplement Insurance in force?

1.2 If yes, indicate premium earned on U.S. business only:

1.3 What portion if Item (1.2) is not reported on the Medicare Supplement Insurance Experience Exhibit?
1.31 Reason for excluding:

1.4 Indicate amount of premium earned attributable to Canadian and/or Other Alien not included in Item (1.2) above.

1.5 Indicate total incurred claims on all Medicare Supplement insurance.

1.6 Individual policies - Most current three years:
1.61 Total premium earned
1.62 Total incurred claims
1.63 Number of covered lives
All years prior to most current three years:
1.64 Total premium earned
1.65 Total incurred claims
1.66 Number of covered lives

1.7 Group policies - Most current three years:
1.71 Total premium earned
1.72 Total incurred claims
1.73 Number of covered lives
All years prior to most current three years:
1.74 Total premium earned
1.75 Total incurred claims
1.76 Number of covered lives

Yes[X] No[]

\$ 19,033,000

\$

\$

\$ 16,719,000

\$ 1,290,772

\$ 1,746,399

\$ 1,029

\$ 17,742,228

\$ 14,972,601

\$ 8,425

\$

\$

\$

\$

\$

\$

\$

2.1 Has the reporting entity received any endowment or gift from contracting hospitals, physicians, dentists, or others that is agreed will be returned when, as and if the earnings of the reporting entity permits?

2.2 If yes, give particulars:

Yes[] No[X]

3.1 Have copies of all agreements stating the period and nature of hospitals', physicians', and dentists' care offered to subscribers and departments been filed with the appropriate regulatory agency?

3.2 If not previously filed furnish herewith a copy(ies) of such agreement(s). Do these agreements include additional benefits offered?

Yes[X] No[]

Yes[X] No[]

4.1 Does the reporting entity have stop-loss reinsurance?

4.2 If no, explain:
Stoploss insurance is not required and is not deemed, by management, to be necessary.

4.3 Maximum retained risk (see instructions):
4.31 Comprehensive Medical
4.32 Medical Only
4.33 Medicare Supplement
4.34 Dental
4.35 Other Limited Benefit Plan
4.36 Other

Yes[] No[X]

\$

\$

\$

\$

\$

\$

5. Describe arrangement which the reporting entity may have to protect subscribers and their dependents against the risk of insolvency including hold harmless provisions, conversion privileges with other carriers, agreements with providers to continue rendering services, and any other agreements:
see attached

6.1 Does the reporting entity set up its claim liability for provider services on a service data base?

6.2 If no, give details:

Yes[X] No[]

7. Provide the following information regarding participating providers:
7.1 Number of providers at start of reporting year
7.2 Number of providers at end of reporting year

..... 15688

..... 21918

8.1 Does the reporting entity have business subject to premium rate guarantees?

8.2 If yes, direct premium earned:
8.21 Business with rate guarantees between 15-36 months
8.22 Business with rate guarantees over 36 months

Yes[X] No[]

..... 0

..... 0

9.1 Does the reporting entity have Bonus/Withhold Arrangements in its provider contracts?

9.2 If yes:
9.21 Maximum amount payable bonuses
9.22 Amount actually paid for year bonuses
9.23 Maximum amount payable withholds
9.24 Amount actually paid for year withholds

Yes[] No[X]

\$

\$

\$

\$

10. List service areas in which reporting entity is licensed to operate:

1 Name of Service Area
entire State of Maryland
entire District of Columbia
Northern Virginia: portions east of Rte 123 and
all incorporated cities of Fairfax and Vienna

FIVE-YEAR HISTORICAL DATA

	1 2001	2 2000	3 1999	4 1998	5 1997
BALANCE SHEET ITEMS (Pages 2 and 3)					
1. Total admitted assets (Page 2, Line 23)	927,379,289	779,154,261	644,652,098	611,347,903	583,956,050
2. Total liabilities (Page 3, Line 18)	653,394,779	531,152,006	457,806,563	452,632,374	434,170,124
3. Statutory surplus					
4. Total capital and surplus (Page 3, Line 26)	273,984,510	248,002,255	186,845,537	158,715,529	149,815,926
INCOME STATEMENT ITEMS (Page 4)					
5. Total revenues (Line 7)	1,509,283,240	1,243,945,601	1,076,588,930	954,297,925	853,274,807
6. Total medical and hospital expenses (Line 14)	1,357,572,301	1,116,040,521	975,773,647	872,379,340	771,042,065
7. Total administrative expenses (Line 18)	87,203,819	53,065,590	45,830,187	44,219,680	41,399,633
8. Net underwriting gain (loss) Line 21)	27,900,833	33,133,713	16,392,086	(1,239,179)	3,195,026
9. Net investment gain (loss) Line 24)	28,861,365	24,869,747	19,988,225	29,047,854	20,750,952
10. Total other income (Lines 25 plus 26)	(1,185,574)	1,635,165	464,555	11,448,037	4,055,015
11. Net income or (loss) Line 27)	55,576,624	59,638,625	36,844,866	39,256,712	28,000,993
RISK-BASED CAPITAL ANALYSIS					
12. Total adjusted capital	273,984,510	248,002,255	186,845,537	158,716,000	X X X
13. Authorized control level risk-based capital	36,845,312	29,311,712	19,267,133	13,495,694	X X X
ENROLLMENT (Exhibit 2)					
14. Total members at end of period (Column 5, Line 7)	712,541				
15. Total members months (Column 6, Line 7)	8,472,885				
OPERATING PERCENT (Page4)					
(Item divided by Page 4, Line2)					
16. Premiums earned (Line 2)	100.0	100.0	100.0	100.0	100.0
17. Total medical and hospital (Line 14)	89.9	89.7	90.6	91.4	90.4
18. Total underwriting deductions (Line 20)	98.2	97.3	98.5	1.0	99.6
19. Total underwriting gain (loss) (Line 21)	1.8	2.7	1.5	(0.1)	0.4
UNPAID CLAIMS ANALYSIS					
(U&I Exhibit, 2B)					
20. Total claims incurred for prior years (Line 11, Col. 5)	166,681,137	137,229,670	156,925,847	119,244,377	113,156,852
21. Estimated liability of unpaid claims-prior year (Line 11, Col. 6)	159,812,944	158,479,677	109,525,592	110,540,320	100,324,589

FIVE-YEAR HISTORICAL DATA (Continued)

		1	2	3	4	5
		2001	2000	1999	1998	1997
INVESTMENTS IN PARENT, SUBSIDIARIES AND AFFILIATES						
22.	Affiliated bonds (Sch. D Summary, Line 25, Col. 1)					
23.	Affiliated preferred stocks (Sch. D Summary, Line 39, Col. 1)					
24.	Affiliated common stocks (Sch. D Summary, Line 53, Col. 2)	81,301,101	64,244,537	43,046,944	27,513,707	19,207,254
25.	Affiliated short-term investments (subtotal included in Sch. DA, Part 2, Col. 5, Line 11)					
26.	Affiliated mortgage loans on real estate					
27.	All other affiliated					
28.	Total of above Lines 22 to 27	81,301,101	64,244,537	43,046,944	27,513,707	19,207,254

SCHEDULE D - SUMMARY BY COUNTRY
Long-term Bonds and stocks OWNED December 31 of Current Year

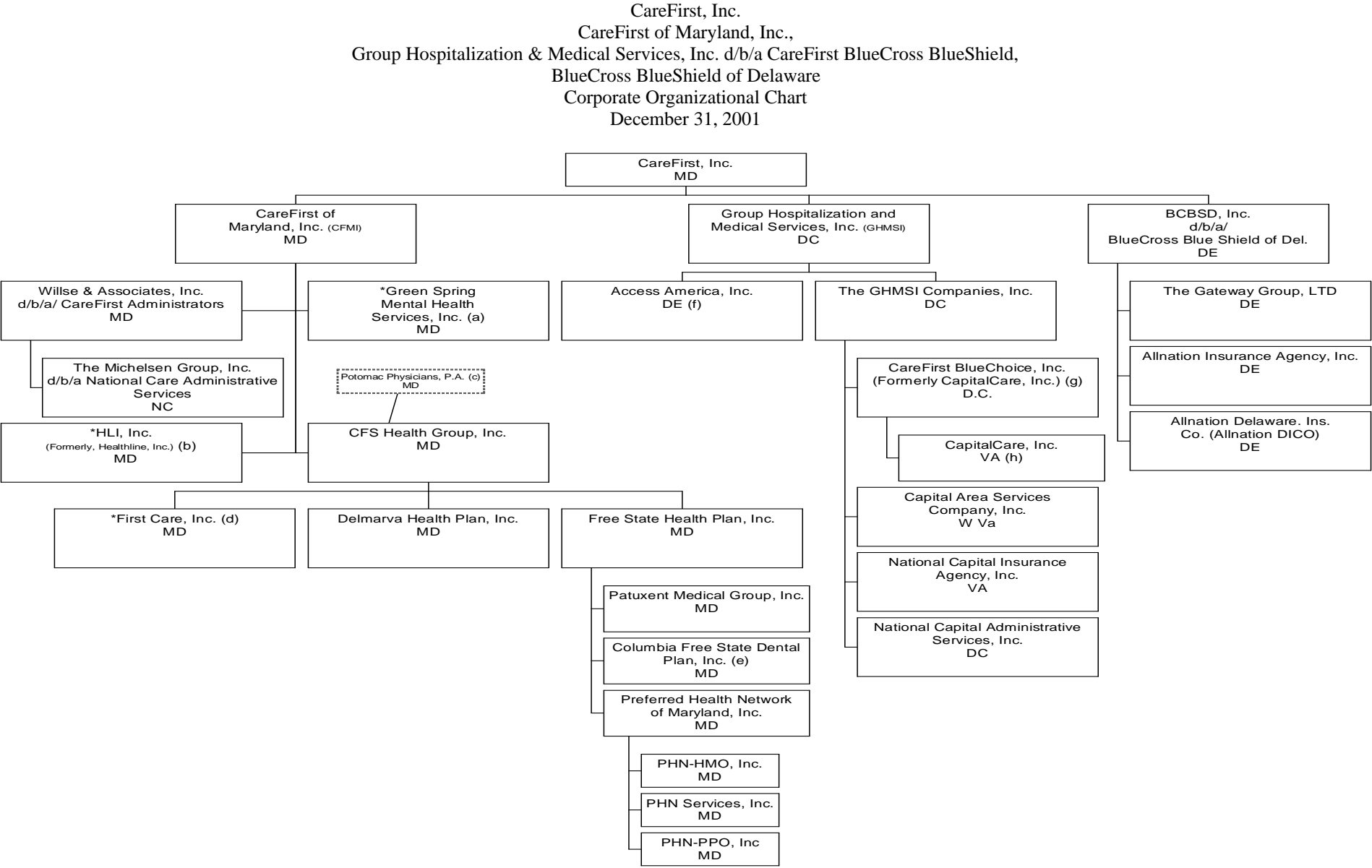
Description			1 Book/Adjusted Carrying Value	2 Fair Value (a)	3 Actual Cost	4 Par Value of Bonds
BONDS Governments (Including all obligations guaranteed by governments)	1.	United States	25,273,658	25,801,825	25,368,407	25,371,184
	2.	Canada				
	3.	Other Countries				
	4.	Totals	25,273,658	25,801,825	25,368,407	25,371,184
States, Territories and Possessions (Direct and Guaranteed)	5.	United States	1,000,430	1,000,430	1,001,290	1,000,000
	6.	Canada				
	7.	Other Countries				
	8.	Totals	1,000,430	1,000,430	1,001,290	1,000,000
Political Subdivisions of States, Territories and Possessions (Direct and Guaranteed)	9.	United States	865,242	865,242	866,912	865,000
	10.	Canada				
	11.	Other Countries				
	12.	Totals	865,242	865,242	866,912	865,000
Special revenue and special assessment obligations and all non-guaranteed obligations of agencies and authorities of governments and their political subdivisions	13.	United States	108,506,271	108,519,222	108,596,308	107,885,431
	14.	Canada				
	15.	Other Countries				
	16.	Totals	108,506,271	108,519,222	108,596,308	107,885,431
Public Utilities (unaffiliated)	17.	United States	3,084,807	2,996,201	3,088,013	3,075,000
	18.	Canada				
	19.	Other Countries				
	20.	Totals	3,084,807	2,996,201	3,088,013	3,075,000
Industrial and Miscellaneous and Credit Tenant Loans (unaffiliated)	21.	United States	173,244,542	174,213,218	174,038,042	177,913,582
	22.	Canada				
	23.	Other Countries	35,842	35,842	35,842	35,842
	24.	Totals	173,280,384	174,249,060	174,073,884	177,949,424
Parent, Subsidiaries and Affiliates	25.	Totals				
	26.	Total Bonds	312,010,792	313,431,980	312,994,814	316,146,039
PREFERRED STOCKS Public Utilities (unaffiliated)	27.	United States	200,120	157,200	200,120	
	28.	Canada				
	29.	Other Countries				
	30.	Totals	200,120	157,200	200,120	
Banks, Trust and Insurance Companies (unaffiliated)	31.	United States				
	32.	Canada				
	33.	Other Countries				
	34.	Totals				
Industrial and Miscellaneous (unaffiliated)	35.	United States	2,739,028	2,653,033	2,739,028	
	36.	Canada				
	37.	Other Countries				
	38.	Totals	2,739,028	2,653,033	2,739,028	
Parent, Subsidiaries and Affiliates	39.	Totals				
	40.	Total Preferred Stocks	2,939,148	2,810,233	2,939,148	
COMMON STOCKS Public Utilities (unaffiliated)	41.	United States				
	42.	Canada				
	43.	Other Countries				
	44.	Totals				
Banks, Trust and Insurance Companies (unaffiliated)	45.	United States	4,389,256	4,389,256	2,879,393	
	46.	Canada				
	47.	Other Countries				
	48.	Totals	4,389,256	4,389,256	2,879,393	
Industrial and Miscellaneous (unaffiliated)	49.	United States	35,515,195	35,515,195	37,183,008	
	50.	Canada				
	51.	Other Countries				
	52.	Totals	35,515,195	35,515,195	37,183,008	
Parent, Subsidiaries and Affiliates	53.	Totals	81,301,101	81,301,101	39,088,325	
	54.	Total Common Stocks	121,205,552	121,205,552	79,150,726	
	55.	Total Stocks	124,144,700	124,015,785	82,089,874	
	56.	Total Bonds and Stocks	436,155,492	437,447,765	395,084,688	

(a) The aggregate value of bonds which are valued at other than actual market is \$.....234,400,316.

SCHEDULE D - Verification Between Years

1. Book/adjusted carrying value of bonds and stocks, prior year.	<u>346,778,762</u>	6. Foreign Exchange Adjustment	
2. Cost of bonds and stocks acquired, Column 6, Part 3.....	<u>262,037,418</u>	6.1 Column 17, Part 1.....	
3. Increase (decrease) by adjustment:		6.2 Column 13, Part 2, Section 1.....	
3.1 Column 16, Part 1.....	<u>(1,636,491)</u>	6.3 Column 11, Part 2, Section 2.....	
3.2 Column 12, Part 2, Section 1.....	<u>120,666</u>	6.4 Column 11, Part 4.....	
3.3 Column 10, Part 2, Section 2.....	<u>15,786,358</u>		
3.4 Column 10, Part 4.....	<u>(2,332,748)</u>	7. Book/adjusted carrying value at end of current period.....	<u>436,155,492</u>
4. Total gain (loss), Column 14, Part 4.....	<u>6,499,768</u>	8. Total valuation allowance.....	
5. Deduct consideration for bonds and stocks disposed of		9. Subtotal (Lines 7 plus 8).....	<u>436,155,492</u>
Column 6, Part 4.....	<u>191,098,241</u>	10. Total nonadmitted assets.....	<u>35,644</u>
		11. Statement value of bonds and stocks, current period.....	<u>436,119,848</u>

SCHEDULE Y - INFORMATION CONCERNING ACTIVITIES OF INSURER MEMBERS OF A HOLDING COMPANY GROUP
PART 1 - ORGANIZATIONAL CHART



SCHEDULE Y - INFORMATION CONCERNING ACTIVITIES OF INSURER MEMBERS OF A HOLDING COMPANY GROUP
PART 1 - ORGANIZATIONAL CHART

Legend

Charitable Non Stock Membership Corporations
(Associated with CareFirst of Maryland, Inc.)

* Indicates existing but inactive Corporations

- a. Corporate existence continued for purposes of maintaining mental health services contracts.
- b. Corporate existence continued for purposes of litigation and collection regarding MedPay of Virginia.
- c. Physician's Professional Association - stock held by Physicians affiliated with CFS Health Group, Inc.
- d. Corporation formed March 1996 with no activity.
- e. Corporate existence continued pending resolution of existing contractual issues.
- f. Companies currently have no operations and are in the process of liquidation.
- g. Name change became effective June 28, 2001.
- h. Corporation formed July 26, 2001.

- 1. Maryland Blue Cross and Blue Shield Caring Foundation, Inc.
- 2. BCBSM Community Foundation, Inc.

Limited Partnerships

- 1. Three Owings Mills Corporate Center Limited Partnership
- 2. Four Owings Mills Corporate Center Limited Partnership
- 3. Timonium Office Building Limited Partnership
(2205 York Road, Timonium, Maryland 21093)
(General Partner: CFS Health Group, Inc.
Limited Partner: Willse and Associates, Inc.)

SCHEDULE T - PREMIUMS AND OTHER CONSIDERATIONS

Allocated by States and Territories

			1	2	Direct Business Only			
			Guaranty Fund (Yes or No)	Is Insurer Licensed (Yes or No)	3	4	5	6
State, Etc.					Premiums	Medicare Title XVIII	Medicaid Title XIX	Federal Employees Health Benefits Program Premiums
1.	Alabama	AL	... No ...	... No ...				
2.	Alaska	AK	... No ...	... No ...				
3.	Arizona	AZ	... No ...	... No ...				
4.	Arkansas	AR	... No ...	... No ...				
5.	California	CA	... No ...	... No ...				
6.	Colorado	CO	... No ...	... No ...				
7.	Connecticut	CT	... No ...	... No ...				
8.	Delaware	DE	... No ...	... No ...				
9.	District of Columbia	DC	... Yes ..	... Yes ..	..... 195,062,420			..... 919,871,579
10.	Florida	FL	... No ...	... No ...				
11.	Georgia	GA	... No ...	... No ...				
12.	Hawaii	HI	... No ...	... No ...				
13.	Idaho	ID	... No ...	... No ...				
14.	Illinois	IL	... No ...	... No ...				
15.	Indiana	IN	... No ...	... No ...				
16.	Iowa	IA	... No ...	... No ...				
17.	Kansas	KS	... No ...	... No ...				
18.	Kentucky	KY	... No ...	... No ...				
19.	Louisiana	LA	... No ...	... No ...				
20.	Maine	ME	... No ...	... No ...				
21.	Maryland	MD	... Yes ..	... Yes ..	..... 193,129,743			
22.	Massachusetts	MA	... No ...	... No ...				
23.	Michigan	MI	... No ...	... No ...				
24.	Minnesota	MN	... No ...	... No ...				
25.	Mississippi	MS	... No ...	... No ...				
26.	Missouri	MO	... No ...	... No ...				
27.	Montana	MT	... No ...	... No ...				
28.	Nebraska	NE	... No ...	... No ...				
29.	Nevada	NV	... No ...	... No ...				
30.	New Hampshire	NH	... No ...	... No ...				
31.	New Jersey	NJ	... No ...	... No ...				
32.	New Mexico	NM	... No ...	... No ...				
33.	New York	NY	... No ...	... No ...				
34.	North Carolina	NC	... No ...	... No ...				
35.	North Dakota	ND	... No ...	... No ...				
36.	Ohio	OH	... No ...	... No ...				
37.	Oklahoma	OK	... No ...	... No ...				
38.	Oregon	OR	... No ...	... No ...				
39.	Pennsylvania	PA	... No ...	... No ...				
40.	Rhode Island	RI	... No ...	... No ...				
41.	South Carolina	SC	... No ...	... No ...				
42.	South Dakota	SD	... No ...	... No ...				
43.	Tennessee	TN	... No ...	... No ...				
44.	Texas	TX	... No ...	... No ...				
45.	Utah	UT	... No ...	... No ...				
46.	Vermont	VT	... No ...	... No ...				
47.	Virginia	VA	... Yes ..	... Yes ..	..... 201,241,879			
48.	Washington	WA	... No ...	... No ...				
49.	West Virginia	WV	... No ...	... No ...				
50.	Wisconsin	WI	... No ...	... No ...				
51.	Wyoming	WY	... No ...	... No ...				
52.	American Samoa	AS	... No ...	... No ...				
53.	Guam	GU	... No ...	... No ...				
54.	Puerto Rico	PR	... No ...	... No ...				
55.	U.S. Virgin Islands	VI	... No ...	... No ...				
56.	Canada	CN	... No ...	... No ...				
57.	Aggregate other alien	OT	... X X X .	... X X X .				
58.	TOTAL (Direct Business)		... X X X .	..... 3	..... 589,434,042			..... 919,871,579
DETAILS OF WRITE-INS								
5701								
5702								
5703								
5798.	Summary of remaining write-ins for Line 57 from overflow page							
5799.	TOTALS (Lines 5701 through 5703 plus 5798) (Line 57 above)							